Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

Collaboration for a Socially Responsible Supply Chain based on the CSR Equity Model

Names: Dr. Emily Johnson[1] Prof. Miguel Santos[2]

Designation: Department of Management, School of Business, University of California, Berkeley, USA[1]
Centre for Corporate Social Responsibility, School of Economics and Management, University of Porto, Portugal[2]

Abstract:

Despite having the world's second-largest economy, China's economic progress is hampered by a lack of corporate social responsibility (CSR). This is a critical issue with global implications. Organizations of various sizes can promote the alignment of economic, social, and environmental goals through stakeholder engagement and the implementation of corporate social responsibility strategies. Uncertainty about the future of the networked and globalizing information economy will undoubtedly necessitate socially responsible supply chain partnerships that include the entire CSR initiative of upstream partner-suppliers and socially responsible firms. The goal of this paper is to describe the creation of a modeling and analysis framework for socially responsible supply chain partnerships, which consists of five steps: CSR Equity. The framework depicts relevant optimal coordination strategies to improve the social and environmental performance of all supply chain system stakeholders from the perspective of socially responsible customers. According to the findings, the share rate of the total investment made by the partner-supplier in CSR initiatives is a critical contract provision for coordinating socially conscious supply chain partnerships and implementing the Pareto optimal policy with cost sharing contracts. Furthermore, a significant positive correlation exists between the share rate and the ratio of marginal revenues among supply chain participants, while a negative correlation exists between the share rate and the leverage rate of corporate social responsibility initiatives by the partner-supplier.

Keywords: Collaboration, Socially Responsible Supply Chain, CSR Equity Model, Sustainability, Stakeholder Engagement, Ethical Sourcing

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

Introduction

Even in recent years, nearly 70% of China's largest corporations have not engaged in corporate social responsibility (CSR); they merely observe CSR externally. According to the most recent Chinese Academy of Social Sciences study, the 2011 annual report on corporate social responsibility (CSR) in China assesses the degree of CSR advancement among the top 100 state-owned enterprises, private enterprises, and foreign-invested enterprises. This assessment is based on the enterprises' reputations for social, environmental, and market responsibility. The survey results from 2011 appear to have remained unchanged since the 2009 report. The 2011 study evaluates social responsibility, which includes obligations to employees, the community, and the government, as well as market responsibility, which includes obligations to shareholders, partners, and consumers. It is worth noting that the Chinese CSR development index had a relatively low aggregate level of 19.7 points out of a possible 100 in 2011 [1].

In contrast to the final months of 2010, when Japan relinquished its position as the world's second largest economy, China's economy has expanded to become the world's second largest. Nonetheless, a significant global issue and impediment to China's economic progress is a lack of corporate social responsibility (CSR). This lack of accountability extends to responsibilities to customers, suppliers, employees, the community, the environment, and others. There is a growing recognition that businesses should purposefully integrate corporate social responsibility (CSR) into their strategic operations to foster a symbiotic relationship between financial prosperity and positive societal and environmental impacts.

The essence and conceptual structure of CSR

Businessmen's social responsibilities are their commitments to pursue policies, make decisions, and engage in behavior that is favorable to our society's objectives and values. Bowen, widely regarded as the father of corporate social responsibility, first proposed this definition in his influential book "Social Responsibilities of the Businessman" [2]. This book is widely regarded as ushering in the modern era of social responsibility literature. The Committee for Economic Development was the first to coin the term "corporate social responsibility" (CSR) in 1971. The model was composed of three concentric circles: the inner circle represented essential economic functions such as product development, employment, and

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

growth; the intermediate circle suggested that economic operations should be carried out with a keen awareness of evolving social values and priorities; and the outer circle enumerated undefined but recently emerging obligations that businesses should assume in order to become more actively engaged in enhancing society. Carroll tracked the evolution of the CSR concept and provided a standardized four-part definition of CSR [4,5]. According to Carroll, "the social responsibility of business comprises the economic, legal, ethical, and discretionary expectations that society has of organizations at any given time." Stakeholder theory holds that in terms of corporate social responsibility (CSR), organizations should bear responsibility to a broader spectrum of stakeholders and the business environment in a way that ensures the enterprises' enduring and sustainable operations. Freeman defines stakeholders as "any group or individual who is impacted by or has the ability to influence the accomplishment of an organization's goals" [6]. Wardick and Coghran successfully delineated the progression of the corporate social performance model [7] by focusing on these three facets. Elkington, the foremost authority on green business, argues persuasively that corporate executives in the twenty-first century must prioritize the triple bottom line, or economic, social, and environmental sustainability [8]. The United Nations Global Compact, established in 2000, serves as a strategic policy initiative promoting corporate social responsibility (CSR) among businesses. Its members commit to operating and strategizing in accordance with ten universally recognized principles encompassing labor, environment, anti-corruption, human rights, and the environment [9]. According to the European Commission's official definition, corporate social responsibility (CSR) is a two-pronged concept in which organizations willingly incorporate concerns about society and the environment into their routine business activities and stakeholder engagements [10]. This article summarizes the corporate social responsibility (CSR) conceptual framework, which includes environmental, social, and economic responsibilities. It is said that the value creation potential of any form of corporate social responsibility is contingent on the extent to which businesses fulfill their responsibilities and the effectiveness with which all relevant stakeholders supervise CSR. Our desire to live in a world that values all living things, including nature, is without a doubt one of the most important tenets of a sustainable and harmonious society. Organizations of various sizes can promote the alignment of economic, social, and environmental goals through stakeholder engagement and the implementation of corporate social responsibility strategies.

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

Initiatives for Corporate Social Responsibility (CSR) by Socially Responsible Businesses

In the modern era, the concept of "product" has evolved to include social and environmental responsibilities and behaviors, in addition to commodities and services. Regardless of size, all businesses must commit to conducting themselves in a socially responsible manner, ensuring compliance with all relevant local, state, federal, and international legislation, and safeguarding human rights in accordance with internationally recognized socially responsible standards such as SA8000 [11]. Organizations throughout the supply chain, including retailers, distributors, manufacturers, and suppliers, have the opportunity to ensure equitable and ethical working conditions by implementing SA8000, the SAI's first social accountability system. Furthermore, the SA8000 companies are expected to monitor socially responsible behavior among their suppliers and apply the same standards to them. Concerns about CSR in the supply chain have only recently gained traction, particularly in the context of conceptual and survey research. Carter and Dresner [12] investigated environmental risks in supply management. Roberts focused his efforts on initiatives involving ethical sourcing and labor practices [13]. Carter and Jennings [14] investigated the effect of purchasing on corporate social responsibility. Wang emphasized strategies and relationships for socially responsible supply coordination based on the concept of "relational rent" [15] for social responsibility. Cruz investigated the impact of various decision-maker behaviors on the impact of corporate social responsibility on supply chain management. Cruz also demonstrated how the implementation of social responsibility initiatives could potentially reduce transaction costs, risk, and environmental impact [16]. Nonetheless, socially responsible supply chain partnerships that encompass all CSR activities from socially responsible firms to upstream partner-suppliers will unquestionably be required in the uncertain era of the knowledge economy, which is rapidly globalizing and forming networks. The goal of this paper is to establish a CSR Equity framework that incorporates socially responsible customers' perspectives in order to model and analyze socially responsible supply chain partnerships. Furthermore, it outlines the most effective coordination strategies that are relevant to the environmental, social, and economic performance of every participant in the socially responsible supply chain system. The following sections of the paper are structured as follows. In order to establish a CSR Equity framework from the perspective of socially conscious consumers, we will first investigate potential correlations between CSR initiatives and performance evaluations in the following segment. The following section, based on the CSR Equity framework, will examine the fundamental principles and

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

assumptions underlying supply chain partnerships that prioritize social responsibility. Following that, the research on a cost-sharing contract for socially responsible supply chain coordination will be examined, with key findings presented in the fourth and fifth sections. Final remarks will be included in the final section.

2.1. Review of the Literature on CSR Initiatives and Performances

Griffin and Mahon used a 25-year analysis to categorize 62 study findings from 51 publications. Their table presented a three-tiered classification system for the relationship between corporate social responsibility (CSR) and company financial performance: no effect, a positive association, and a negative correlation. Following this deduction, they discovered that nine studies established a positive correlation, twenty studies established a negative correlation, and the remaining studies produced equivocal or irrelevant results. According to the aggregate impact of the research [17], there is a negative correlation between CSR and business financial success. Rather than using the Griffin and Mahon study as a foundation, Roman, Hayibor, and Agle reorganized the identical 51 articles into a new table that reflected 33 studies in the positive relationship, 14 studies in the no effect/inconclusive relationship, and 5 studies in the negative relationship. The majority of the studies reviewed found a positive relationship between corporate social responsibility (CSR) and business financial success [18]. Preston and O'Bannon investigated the relationship between CSR indices and financial success using a comprehensive theoretical framework. Initially, the authors outline the three potential trajectories of the correlation between corporate social responsibility (CSR) and financial performance—positive, negative, or neutral—along with the causal chain: does CSR influence financial performance, does financial performance influence CSR, or do the two operate in a reciprocal manner that reinforces one another? Following that, six potential causation and direction hypotheses were developed: the management opportunistic hypothesis, the negative synergy hypothesis, the tradeoff hypothesis, the social impact hypothesis, the slack resources hypothesis, and the slack resources hypothesis [19]. Following an examination of the effects of corporate social responsibility (CSR) on growth and profitability, Kapoor and Sandhu concluded that CSR has a significant positive effect on corporate growth but a negligible positive effect on profitability [20]. According to the trade-off theory, CSR must have a negative impact on financial performance. This hypothesis [21] challenges the neoclassical economists' belief that socially

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

conscious action would reduce profits and shareholder wealth due to its numerous costs. According to Makni, Francoeur, and Bellavance, empirical support exists for the trade-off hypothesis and, to a lesser extent, the negative synergy hypothesis. According to the latter, socially responsible enterprises generate lower profits and shareholder wealth, limiting capital allocation to such endeavors [22]. The stakeholder theory, on the other hand, asserts that meeting the needs of a variety of business stakeholders will result in favorable financial outcomes. Using Meta-Analysis, Orlitzky, Schmidt, and Rynes speculate on the relationship between CFP and CSP, or corporate social and environmental performance. Furthermore, their meta-analytic findings indicate that CSP reputation indices have a stronger correlation with CFP than alternative CSP metrics [23]. Supporters of the stakeholder theory of the corporation argue that a company's legitimacy is contingent on its ability to operate socially, and that social and financial performance are frequently positively correlated over time.

2.2. CSR Equity Structure

Corporate Social Responsibility (CSR) initiatives embody the fundamental principles of a harmonious society, reflecting the inherent human desire to live in a tranquil environment that values and respects every individual and the natural environment. Webster defines the socially conscious consumer as "a consumer who considers the public repercussions of his or her private consumption or who endeavors to use his or her purchasing power to effect social change" [24]. This is the most comprehensive definition of the term. Roberts and Mohr first proposed the concept of socially responsible consumer behavior. They defined it as an individual's approach to product acquisition, utilization, and disposal that is guided by the intention of reducing or eliminating negative consequences while optimizing the long-term beneficial influence on society. This definition is based on Webster's seminal dissertation. As a result, socially responsible consumer behavior [25, 26] requires that CSR be considered as one of the determinants of an individual's purchasing decisions. Corporate reputation and CSR are inextricably linked, like the two sides of a coin. Recent developments, for example, deviate significantly from the voluntary forms of CSR prevalent in the United States and have a significant impact on the reputation-building strategies of multinational corporations in a number of countries [27-29]. The qualitative research conducted by Hillenbrand and Money reveals a significant convergence in the conceptualizations of accountability and reputation. The use of reputation models as potential metrics for a number of the components considered

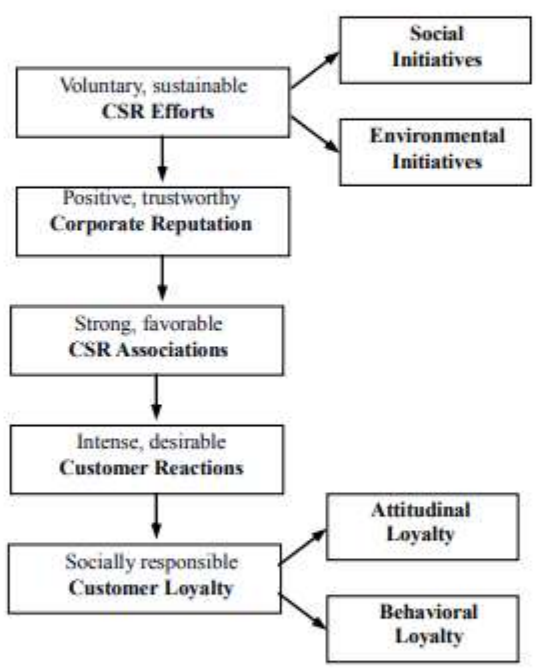
Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

to comprise responsibility could have consequences. Despite the fact that stakeholder perceptions of an organization comprise a multi-stakeholder concept known as corporate reputation [30]. According to Brown and Dacin [31], positive CSR associations have the potential to improve overall product evaluations, whereas negative associations may have the opposite effect. Sen and Bhattacharya conducted a study on customer reactions to corporate social responsibility (CSR) initiatives and discovered that CSR initiatives have the potential to directly and indirectly influence consumers' intentions to purchase the organization's products. Furthermore, they emphasized the mediating roles that consumers' character congruence and perceptions of the company's character congruence play in determining customers' reactions to CSR initiatives [32]. This paper proposes a CSR Equity framework comprised of five steps to facilitate the modeling and analysis of socially responsible supply chain partnerships. The framework is based on previously reviewed research literature. The framework defines the management and component analysis of CSR equity, drawing inspiration from the perspective of socially responsible consumers (see Figure 1).

Figure 1: CSR Framework



As illustrated in Figure 1, the CSR Equity model is divided into five distinct phases. To achieve a harmonious coexistence of the benefits associated with corporate social responsibility (CSR), the environment, society, and the economy, the first course of action entails cultivating and fortifying the organization's reputable standing. The third phase entails establishing positive and resilient CSR links through the transmission of business repute. The fourth stage involves obtaining a positive and enthusiastic response from customers regarding CSR initiatives. The final stage involves establishing and nurturing socially conscious consumer loyalty. The two primary components of this type of loyalty are attitudinal loyalty and behavioral loyalty (which includes purchase loyalty) [33]. There is a positive relationship between socially conscientious consumer behavior and intentions and both behavioral and attitudinal loyalty. As a result, the socially conscious consumer will actively seek out products from companies that contribute positively to society while refraining from purchasing items from those that cause harm.

Assumptions and foundational models

A socially conscious supply chain is made up of an upstream partner-supplier and a socially conscious producer. First, a thorough explanation of the notations and assumptions used in the model construction follows. Voluntary and sustainable CSR efforts to reconcile economic, social, and environmental benefits comprise CSR equity, which is founded on a positive and dependable corporate reputation that correlates with more socially responsible consumer intentions and behavior, as evidenced by increased market share and a premium in the marketplace. This corresponds to the CSR Equity model depicted in Figure 1. Assume that both the upstream partner supplier and the socially responsible manufacturer are willing to devote the entire amount to their respective corporate social responsibility efforts. It is obvious that the market demand functions pertaining to the collective impact of the aforementioned two investment variables can be represented as D(em, es), provided that right-hand derivatives allow D(em, es) to be continuously differentiable at zero and both investment parameters rigidly increase.

Contract Management for Cost-Sharing

The socially responsible manufacturer will contribute r (0 r 1) to the total investment in the upstream partner-supplier's CSR efforts. In exchange, the upstream partner-supplier will be offered a share

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

proportion of (1 - r), where 0 r 1. This section examines a socially responsible supply chain coordination strategy involving a cost-sharing contract. Subgame ideal equilibrium is the solution concept used in this segment. The upstream partner-supplier determines its own investment plan for CSR initiatives in accordance with the Stackelberg follower, using the coordinating strategy's corresponding "share rate r" and the downstream partner's cost-sharing contract. The socially conscious manufacturer may provide a "share rater" to encourage the upstream partner-supplier to increase their CSR efforts and become a socially conscious partner integrated into the socially conscious supply chain. This would enable the socially conscious manufacturer to improve their own positive and dependable corporate reputation. As the leader of Stackelberg, it is self-evident that the socially responsible manufacturer must allocate resources to corporate social responsibility (CSR) initiatives and establish the "share rate r" of coordination strategy through the cost-sharing contract as soon as possible. The partner-supplier is then obligated to monitor this approach and determine his own investment strategy.

Summary:

The goal of this paper is to create a five-step CSR Equity framework for modeling and analyzing socially responsible supply chain partnerships, with a focus on relevant optimal coordination strategies for the economic, social, and environmental performance of all partners in the socially responsible supply chain system. The framework will be designed with socially conscious customers in mind. Creating and sustaining a positive and dependable corporate reputation through voluntary and sustainable endeavors that balance economic, social, and environmental gains; — Creating robust and favorable CSR initiatives; — Believing in the perspective of socially responsible consumers, the five-step CSR Equity framework includes the following five essential components: There is a positive correlation between socially conscientious consumer conduct and intentions. As a result, the socially conscious consumer will actively seek out products from companies that contribute positively to society while refraining from purchasing items from those that cause harm. The "share rate r" is an essential contractual provision used to coordinate the partnership in a cost-sharing contract for the purpose of implementing the Pareto optimal policy, as per every proposition in the strategy for coordinating the socially responsible supply chain.

Online ISSN: 3006-3310 Print ISSN: 3006-3302

Journal for Social Science Archives
https://jssarchives.com/index.php/Journal/JSSA

Vol 02, Issue 1,2024

References:

- J. G. Chen, et al., "Research Report on Corporate Social Responsibility of China (2011)," Social Sciences Academic Press, Beijing, 2011.
- H. R. Bowen, "Social Responsibilities of the Businessman," Harpor & Row, New York, 1953. Committee for Economic Development, "Social Responsibilities of Business Corporations," CED, New York, 1971.
- A. B. Carroll, "A Three-Dimensional Conceptual Performance," Academy of Management Review, Vol. 4, No. 4, 1979, pp. 497-505.
- A. B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," Business Horizons, Vol. 34, No. 4, 1991, pp. 39-48. doi:10.1016/0007-6813(91)90005-G
- R. E. Freeman, "Strategic Management: A Stakeholder Approach," Pitman, Boston, 1984.
- S. L. Wartick and P. L. Coghran, "The Evolution of the Corporate Social Performance Model," Academy of Management Review, Vol. 10, No. 4, 1985, pp. 758-769.
- J. Elkington, "Cannibals with Forks: The Triple Bottom Line of 21st Century Business," New Society Publishers, Gabriola Island, British Columbia, 1998.
- S. Hughes and R. Wilkinson, "The Global Compact: Promoting Corporate Responsibility?" Environmental Politics, Vol. 10, No. 1, 2001, p. 155. doi:10.1080/714000519
- Commission of the European Communities, "Promoting a European Framework for Corporate Social Responsibility," Green Paper No. COM (2001) 366, Brussels, 2001.
- E. R. Larson and B. Cox, "Social Accountability 8000: Measuring Workplace Conditions Worldwide," Quality Digest, CEPAA, New York, 2003.
- C. R. Carter and M. Dresner, "Environmental Purchasing and Supply Management: Cross-functional Development of Grounded Theory," Journal of Supply Chain Management, Vol. 37, No. 3, 2001, pp. 12-27. doi:10.1111/j.1745-493X.2001.tb00102.x
- S. Roberts, "Supply Chain Specific? Understanding the Patchy Success of Ethical Sourcing Initiatives," Journal of Business Ethics, Vol. 44, No. 2-3, 2003, pp. 159-170. doi:10.1023/A:1023395631811
- C. R. Carter and M. M. Jennings, "The Role of Purchasing in Corporate Social Responsibility: A Structural Equation analysis," Journal of Business Logistics, Vol. 25, No. 1, 2004, pp. 145-186. doi:10.1002/j.2158-1592.2004.tb00173.x
- R. Wang, "Social Responsible Supply Coordinating Relationship and Strategies under Supply Chain," Proceedings of 12th International Conference on Management Science & Engineering, Inchon, 20-21 July 2005, pp. 685-689.
- J. M. Cruz, "The Impact of Corporate Social Responsibility in Supply Chain Management: Multicriteria Decision-Making Approach," Decision Support Systems, Vol. 48, No. 1, 2009, pp. 224-236. doi:10.1016/j.dss.2009.07.013
- J. J. Griffin and J. F. Mahon, "The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research," Business and Society, Vol. 35, No. 1, 1997, pp. 15-31

- R. M. Roman, S. Hayibor and B. R. Agle, “The Relationship between Social and Financial Performance: Repainting a Portrait,” Business and Society, Vol. 38, No. 1, 1999, pp. 109-125. doi:10.1177/000765039903800105
- L. E. Preston and D. P. O’Bannon, “The Corporate Social-Financial Performance Relationship: A Typology and Analysis,” Business and Society, Vol. 36, No. 4, 1997, pp. 419-429. doi:10.1177/000765039703600406
- S. Kapoor and H. S. Sandhu, “Does It Pay to Be Socially Responsible? An Empirical Examination of Impact of Corporate Social Responsibility on Financial Performance,” Global Business Review, Vol. 11, No. 2, 2010, pp. 185-208. doi:10.1177/097215091001100205
- S. A. Waddock and S. M. Graves, “The Corporate Social Performance-Financial Performance Link,” Strategic Management Journal, Vol. 18, No. 4, 1997, pp. 303-319. doi:10.1002/(SICI)1097-0266(199704)18:43.0.CO;2-G
- R. Makni, C. Francoeur and F. Bellavance, “Causality between Corporate Social Performance and Financial Performance: Evidence from Canadian Firms,” Journal of Business Ethics, Vol. 89, No. 3, 2009, pp. 409-422. doi:10.1007/s10551-008-0007-7
- M. Orlitzky, F. L. Schmidt and S. L. Rynes, “Corporate Social and Financial Performance: A Meta-Analysis,” Organization Studies, Vol. 24, No. 3, 2003, pp. 403-441. doi:10.1177/0170840603024003910 [24] F. E. Webster, “Determining the Characteristics of the Socially Conscious Consumer,” Journal of Consumer Research, Vol. 2, No. 3, 1975, pp.188-196. doi:10.1086/208631
- J. A. Roberts, “Profiling Levels of Socially Responsible Consumer Behavior: A cluster Cluster Analytic Approach and Its Implications for Marketing,” Journal of Marketing, Vol. 3, No. 4, 1995, pp. 97-116.
- L. A. Mohr and D. J. Webb, “Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior,” Journal of Consumer Affairs, Vol. 35, No. 1, 2001, pp. 45- 72. doi:10.1111/j.1745-6606.2001.tb00102.x
- S. Brammer and S. Pavelin, “Building a Good Reputation,” European Management Journal, Vol. 22, No. 6, 2004, pp. 704-713. doi:10.1016/j.emj.2004.09.033 [28] C. J. Fombrun, “Building Corporate Reputation through CSR Initiatives: Evolving Standards,” Corporate Reputation Review, Vol. 8, No. 1, 2005, pp. 7-11. doi:10.1057/palgrave.crr.1540235
- C. Hillenbrand and K. Money, “Corporate Responsibility and Corporate Reputation: Two Separate Concepts or Two Sides of the Same Coin,” Corporate Reputation Review, Vol. 10, No. 4, 2007, pp. 261-277. doi:10.1057/palgrave.crr.1550057
- A. Smidts, T. H. Pruyn and C. B. M. Van Riel, “The Impact of Employee Communication and Perceived External Prestige on Organizational Identification,” Academy of Management Journal, Vol. 44, No. 5, 2001, pp. 1051- 1062. doi:10.2307/3069448
- T. J. Brown and P. A. Dacin, “The Company and the Product: Corporate associations and Consumer Product Responses,” Journal of Marketing, Vol. 61, No. 1, 1997, pp. 68-84. doi:10.2307/1252190
- S. Sen and C. B. Bhattacharya, “Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility,” Journal of Marketing Research, Vol. 38, No. 2, 2001, pp. 225-243.