

Corporate Social Responsibility in the Supply Chain and a Roadmap to Sustainability – A Case from and for the MENA Region

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The history of Corporate Social Responsibility (CSR) spans back to the 1950s. Once it headed its concentration on the responsibility of business leaders, practices started to take in various forms. The essence of the concept was revitalized in the next decades (Carroll, 1999). Concerns progressively developed into a crucial debate as today about who should be accounted for the sustainability of our economy, society and the environment. In the case of MENA region, the attention given to CSR is increasing due to rapid economic and population growth, environmental deprivation and not at least the influence from the private sector. Foreign investors also demand increased attempts for sustainability (The Arabia CSR Network, 2010). This article endeavours to define CSR and supply chain (SC) in order to provide understanding and their significance in demonstrating sincere commitment to sustainability with examples applied to the MENA region. Further, it will look at potential strategies towards a better integrated and sustainable supply chain and forward managerial requirements and challenges that can limit achievement of sustainable supply chain.

Introducing CSR and significant implications to the supply chain

Although, increasing number of companies comes to recognise this, there is no universal definition of Corporate Social Responsibility because the notion of it is constantly being redefined to satisfy the changes in our society and time. Apparently, consequences of free market society such as economic growth and production, there is an increasing awareness of businesses' contribution to environmental impacts. CSR in the 21st century is therefore much more focused on total responsibility from the basis of economic and legal responsibility to discretionary acts. Therefore, the definition from World Business Council for sustainable development is the most ideal one:

“Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.”

(Holme and Watts, 2000:10)

As demonstrated, social and environmental issues do not cease at the door of business entities. Imposed internal and external pressures have traditionally been emphasised. Yet, as consumers have enhanced their understanding of the reality that it is not solely the end product that needs to be monitored, but also the SC needs to be managed efficiently (Seuring et al, 2008). Although the traditional SC form was vertically integrated earlier where business activities were done and managed in-house by a company to provide their own services. Major part of the environmental impacts derives from these processes. SC is consequently seen as a prominent area of achieving sustainability. However, the existing SC models have been altered over time which basically means that firms on a great deal rely on complex and fragmented supply, partly in outsourced markets to reduce costs (Boyd, 2007). It is important to mention that globalisation is a key factor that drives the complexity and diversity of SC (UN, 2011). Thus it becomes crucial to engage suppliers and consumers in the CSR agenda (Seuring et al, 2008).

In the main, supply chain can be defined as a system or network of people, activities, technology represented by stakeholders. They work together in order to enhance the stream of goods and information between suppliers and customers at the maximum level of optimisation to deliver the desired end-product (Govil and Proth, 2002).

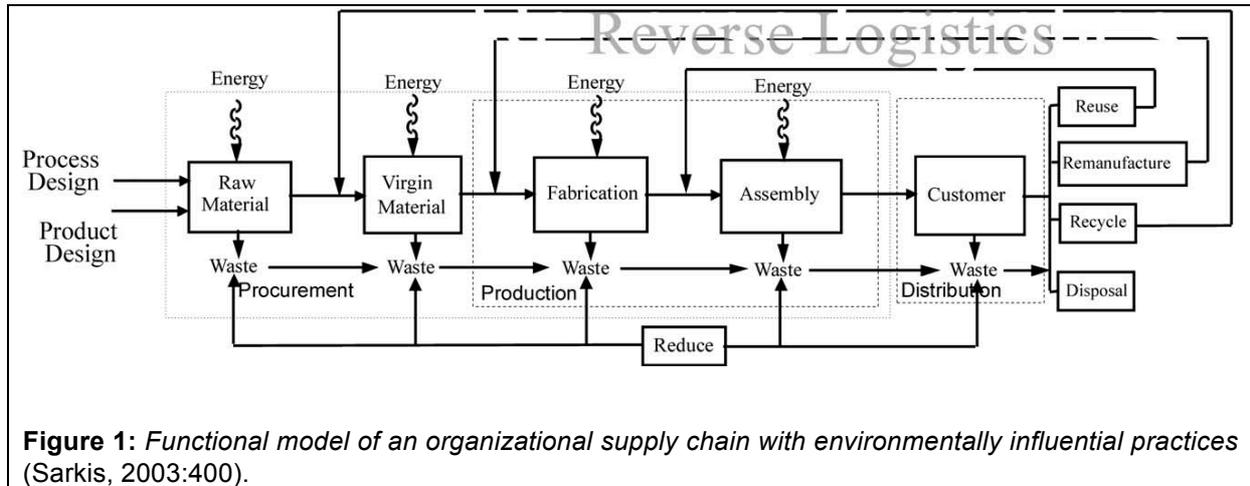


Figure 1: Functional model of an organizational supply chain with environmentally influential practices (Sarkis, 2003:400).

The above figure demonstrates main elements: procurement, production, distribution and reverse logistics of the operational life cycle or so-called value chain of an organisation. These are a strategic group of components that has affects upon the supply chain and the way it is managed. Reverse logistics entails the return of recyclable products and materials. Depending on the organization, industry, and product type, the requirements may vary among the stages. Thereby it is highly possible that internal and external stakeholders have major roles in [strategic] decision-making, making it very interconnected and sometimes inhibiting strategies for sustainable supply. Green SC's are thus one of the contemporary issues a company faces and critical part of its competitive landscape (Boyd, 2007).

Drivers, incentives and barriers to environmental supply chain

When aiming towards a sustainable SC, it is important to set clear goals in a time frame for when to achieve them. Most importantly, stakeholder identification and multi-collaboration enables such efforts to be achieved. Aramex, a leading logistics company in Jordan, has a dedication to environmental practices emulates their company culture, values and how they decide to perform. Their individual stakeholder mapping allows distinct responses and revision of policies to meet expectations and consider their impact on stakeholders regarding various environmental and social issues whilst increasing shareholder value (Aramex, 2009). Additionally, their good system of tracking their carbon footprint is a vital step towards identifying their impacts. More importantly, providing training programmes and giving managers responsibility to force top-down sustainability awareness among employees secures the company supervision of materials used and strong emphasis is given to environmental certification to high standards. Employee blogs and e-mail correspondence are important facilitators and managers who promote their state of mind throughout the network are tools for success. These help smooth the progress of integrating CSR in Aramex's supply chain. Externally, they commit themselves to invest in social causes to identify policy issues. Employees are appointed to offer community services few hours per month. Thus interrelations with local and regional partners develop their reach to fight for better quality of life and help underprivileged areas (Aramex, 2009).

Particularly the airline industry is perceived to have profound environmental impacts and many actions are taken to enhance their profile among people. Qatar Airways understood how complexity presents importance of a multi-partner co-operation in revolutionary research to generate successful results. Their concentration on energy, cost reduction and enhancing their total SC is highly reflected from their good interaction with various parties in incorporating sustainability. With Shell's technology and Qatar Petroleum's support in this cooperation of developing synthetic gas to liquid, it becomes an optional supply to oil-based airline fuel. They achieved one of the lowest carbon footprints in the industry (OBSA, n.d). Purely derived from natural gas, Qatar Airways is the first airline company that takes advantage of this technology. It has once more demonstrated its major role in improving the air quality (Cowell, 2009) and ultimately recognizes the significance of sustaining close interface with partners to achieve paramount practices and realisable eco-projects. As much as airline hubs matter,

the airline industry is economically important. For the MENA region, countries' and as well as its airlines' supply along with outstanding sustainable practices, would increase the demand for logistics and facilitate better infrastructure and greater efficiency (Green Aviation and Logistics Group, n.d). In truthfulness and fairness, an organisation with satisfactory environmental friendly SC will create goodwill for brands and strengthen the long-term relationship with customers and the local people (The Arabia CSR Network, 2010). Moreover it serves the local areas a better place in which the business operates in by following reasons;

- Promoting eco purchasing
- Enforcing socially responsible suppliers
- Encouraging diversity and various practices all through the SC

The medium term effects would no doubt be better legal compliance and improved social and environmental reporting. Yet, the most prevalent rewards come from long term oriented implementation because actions towards a sustainable supply chain would likely improve the relationships with stakeholders, foster innovation and possibly assure permanent financial savings. These all together will make the ultimate drive for CSR in SCs (The Arabia CSR Network, 2010).

Despite being in developing nations, companies mentioned seem to be one of the first movers in the MENA region towards being environmentally proactive and innovative. The implementation of a green and effective SC measures and indicators add environmental values into their processes of decision-making (The Arabia CSR Network, 2010). Due to that there is nowadays congestions, pollution and urbanisation of cities, companies getting forced to lessen their environmental impacts prevails (Green Aviation and Logistics Group, n.d). Based on my current knowledge and research in company-supplier relationship, these may have some interesting implications. Due to pressure to watch suppliers' behaviour (Boyd, 2007), Polonsky (1994) meant that businesses can potentially pass such influence to their suppliers (Sharma et al, 2008), thus having a multiplier effect. This means that companies as 'customers' can greatly pressure and control their suppliers by auditing, compelling policies and environmental obligations to achieve the goal of minimising the products impact on the environment. It may be highly agreed with this statement that suppliers would then be obliged to supply for example eco certificated items and to take back various elements for reuse. Referring to Polonsky (1994), Paulraj (2007) and (Sharma et al, 2008), such resembling practices improve the environmental performance to prioritise better products. Similar to their position, it is possibly argued that they can push the good suppliers in such way to increase the competition and motivate suppliers who perform poorer to do better.

Labels, certificates or environmental codes mean that buyers typically apply CSR within SC. Yet, high level of control may lead to unfortunate effects in managing the SC relationships, where Boyd (2007) argued against Polonsky (1995), claiming it as SC 'bullying' or power to constrain rather than supporting and achieving CSR goals. One major criticism is that variables such as regularity and depth pose problems for investors, consumers and other concerned stakeholders to contrast and evaluate the performance of the various elements of the SC's. In more extreme cases, suppliers may mark doubts about the genuineness of buyer's devotion because in many cases, suppliers will have to forfeit financial income in the short term when buyers indicate an interest in establishing a longer-term relationship. To require suppliers to do certain actions are major challenges in achieving a full sustainability and even see hypocrisy (Boyd, 2007). Foremost, the challenge for members in sustainable supply chains is to meet environmental and social criteria to stay within the supply chain, while it is expected to meet customer needs and economic criterions to sustain the competitive edge (Seuring, 2008).

In a broad sense, major challenges to CSR implementation are low education of the advantages of sustainable SC and insufficient enablers. A World Bank report reveals that CSR has several interpretations across countries in the MENA region and presently seen as philanthropy external to business and politically driven rather than responding to demands from society and the business environment. Furthermore, there may be financial constrains and some businesses may lack an understanding of the relevancy of CSR (CSR WeltWeit, 2007). Implementing CSR initiatives in the SC requires effective compliance. Hence, the legal authority must undertake significant activities to protect

the environment (Polonsky, 1995). Generating meaningful work prospects for youth across MENA is one of the most critical challenges for sustainability. Therefore, private sectors should be involved with young people with entrepreneurial drive (CSR WeltWeit, 2007).

Possible solutions and managerial implications

In the present framework, procedural justice may assist suppliers to facilitate their concerns and interests to be apparent and conserved in a long term aspect and in buyers' decision-making process. This approach depends upon the notion of fair allocation of resources and solving clashes in the processes rather than high degree of monitoring (Boyd, 2007). This would aim to improve the relationship and performance between suppliers and buyers. Research of partners and alliances show that implementation was actually much more prevalent when administrators saw procedures to be fair, even if it is not in their best interest (Boyd, 2007).

Firstly, one crucial answer to enhance CSR implementation and compliance is in all probability that buyers must address both financial and non-financial intentions in order to generate relevant strategies. This can be realised by securing a two-way communication. In this case, each supplier must recognize that they are appreciated and valued in the buyer's supply chain e.g. in terms of costs and reputation. However, care must be taken that costs emerge to be the main cause for outsourcing. Many parties from different industries with various criteria and evaluations may create more complexity (Boyd, 2007). However, to apply fully sustainable SC, a connection between measures and improving economic performance must be demonstrated. There is need for innovative and active employees who possess competencies and vision to redesign business models and product processes. Most crucial, managers should articulate why environmental initiatives are meaningful in the journey towards sustainability.

Last remarks; the debate on corporate social responsibility is getting scarce if drastic changes in business environment are not taken into account. Public and private actors must get involved in networks and multilevel governance to fight weak enforcement and insufficient democratic control. Successful implementation of CSR depends ultimately on governed processes and flows. But the private sector can also play an essential role in CSR initiatives that cannot be driven by government. Companies can provide competencies and training to develop skills which are currently lacking in many projects (CSR WeltWeit, 2007).

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