Supplier Corporate Social Responsibility Policies from a Strategic Perspective

William T. Rupp
ruppw@apsu.edu
Alan D. Smith
smitha@rmu.edu

Abstract

Corporate Social Responsibility (CSR) is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare (www.Investopedia.com). The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all others who may also be considered stakeholders. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. CSR policies function as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Part of this inherent desire for promoting social and environmental change may e grounded in a firm's need for sustainability planning strategic initiatives. The ultimate question to answer is whether companies are following CSR and sustainability strategies in order to generate greater value for shareholders, or to financially take care of their stakeholders once they become shareholders. This question still a controversial topic in the academic and practitioner literatures. There is increased stakeholder pressure companies to be transparent about their sustainability initiatives in the global environment. With the recent drop of coincidence in the global marketplace (i.e., dramatic losses in Chinese and other Asian stock values), the need for transparency is now greater than ever. Cho and Patten (2007) suggested that management with proper environmental performance may face greater exposure to political pressures, they have an incentive to use disclosure to address these exposures now. More profitable companies have found that the more inclusive operational and financial missions assist regulatory compliance, and, hopefully, become a basis for developing competitive advantages in the long-term. This allows management to become more proactively to the social and

environmental responsibility demands of customers, other companies, green customers, vendors, and investors, ethical partnerships and more innovative competitors.

CSR is typically broken down into four dimensions: economic, legal, ethical, and voluntary and philanthropic. The economic dimension means that the company is responsible to earn profits for the owners. Legal represents a responsibility to comply with the laws, rules, and regulations. Ethical means to not just act for profit but to do what is right, just and fair. Finally, the voluntary and philanthropic dimension is to promote human welfare and goodwill. Some ways to be socially responsible include donating profits to charity, hosting or sponsoring community events, implementing employee engagement programs, and implementing green initiatives. Green initiatives can range greatly and be cutting down on the use of paper, using hybrid or fuel efficient vehicles, use alternative power sources, and recycling. Evidence to support strategic initiatives for CSR via company disclosures are generally based in the theoretical tenants of Agency Theory (Smith, 2010) and Signaling Theory.

Perhaps the major theories are reported to be the most commonly used to explain the company disclosure: (1) Agency Theory, which understands the dissemination of information from the company as a way used by the management to justify their actions to the shareholders and to correct the asymmetry of information between the two groups, and (2) signaling theory, which explains the disclosures as a mean to distinguish the company from its competitors. Agency Theory refers to the different ways that agents of the firm can influence the performance and behaviors of the firm. Agency theory also states that agents of the firm may likely experience conflicts of interests in regard to their self-interest and interest of the firm. Agents are more likely to act in the interests of the organization when their own interests are aligned or when the agent knows they are being monitored and/or controlled (Bryant & Davis, 2012).

A strong motivation for companies to disclose corporate information is to improve their stock prices' behavior coupled with the firm's sustainability efforts. As suggested Syou-Chiang et al. (2010), who explored how Internet disclosures could affect stock prices' behavior. CSR reports, or commonly referred to as sustainability reports (Hann & Kühnen, 2013), have developed into a separate reporting system. Four dimensions appear to be the new universe for corporate information: financial, social, environmental and corporate governance. Financial information is regulated. Companies know well how to perform in this arena and how to report performance to the public. Shareholders are the main established set of rules related to it, such as the International Financial Reporting Standards (IFRS other three dimensions, companies operate and inform mainly companies in this way become a source of competitive advantage. When dealing with non-financial reporting, a key challenge arises: the need for a standard to guide companies in preparing and disclosing such reports.

The topic of our paper is CSR and will focus on the green-based and sustainability initiatives aspects of CSR. We discuss in-depth how General Electric, Wesco, and

Westinghouse promote and engage CSR and sustainability in general. We will then discuss the similarities and differences among the three companies.

KEY WORDS: *Agency Theory, case study, green supply chains, operations strategy, supply chain management, supplier collaboration, supplier integration, supply chain technologies.*

Relevance to Marketing Practitioners: This case study is relevant to marketers and researchers in dealing with qualitative performance incentives for CSR and sustainable strategic initiatives.

TRACK: Business-to-Business Marketing/Supply Chain Management