Sustainable Supply Chain Management: The Missing Link of Social Sustainability

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Abstract

The social dimension of sustainability has been poorly investigated when compared to the environmental dimension, especially in sustainable supply chain management studies. This lack of attention is problematic for the theory and practice of managing sustainable supply chains. This research aims to help filling this gap and addresses the following question: how focal companies implement and manage social sustainability into their supply chains? The concepts of supply chain engagement and initial motivation shed additional light on the topic and taken together generate a useful model that can improve our understanding of the complex interactions between the management of supply chains and their social sustainability performance. We selected four cases of social initiatives undertaken by focal companies within their supply chains and used them as practical examples of the four different supply chain approaches to social sustainability developed in this paper. We finish the paper with implications of this research for the practice of supply chain management as well as contributions to the associated theory.

Keywords: Supply Chain Social Sustainability; Sustainable Supply Chain Management; Supply Chain Engagement; Sustainable Motivation; Sustainability.

1. Introduction

An increasing number companies have been adopting sustainable approaches and considering sustainability as a strategic issue for their businesses (Burritt and Schaltegger, 2014; Gold et al., 2010; Hassini et al., 2012). In parallel the literature on sustainability has been growing significantly (Bansal and DesJardine, 2014), and most of which is centered on the notion of the Triple Bottom Line (TBL), which suggests that three equally important dimensions (i.e., economic, social and environmental) should be addressed simultaneously to generate true sustainable approaches (Elkington, 2002).

Following the same growing trend (Beske et al., 2015), the sustainable supply chain management discourse suggests that organizations in isolation cannot do much in terms of sustainability because many complex sustainability issues affected by companies’ operations are not located within the companies’ boundaries, but in distant areas of their supply chains (Silvestre, 2016). For this reason, a supply chain perspective (instead a company-based perspective) is required when addressing business
sustainability, especially because of strong evidences that longer and dispersed supply chains are more prone to failures in socio-environmental issues (Burritt and Schaltegger, 2014).

One aspect, however, remains poorly explored over the years: the social dimension has been often neglected in the sustainable supply chain management (SSCM) discourse (Seuring and Müller, 2008; Pagell and Wu, 2009; Wu and Pagell, 2011; Ashby et al., 2012; Touboul and Walker, 2015). Thus, due to this lack of attention, the social dimension of sustainable supply chains has been under-valued, under-explored and under-theorized (Pullman et al., 2009; Silvestre, 2015a; Yawar; Seuring, 2015). If on one hand, it may mean that companies find more difficult to identify and address social issues than environmental issues in practice (Ashby et al., 2012), on the other hand, it may seem that sustainability, in its broad TBL definition, in practice represents a theoretical construct with limited relevance (Brandenburg et al., 2014). This research aims to contributing to this area by addressing the following question: how focal companies implement and manage social sustainability into their supply chains? It offers three distinct contributions. First, it responds to the constant calls to addressing social sustainability in supply chains by providing evidences on how focal companies actually implement and manage the social dimension. Second, this paper explores cases in the context of emerging economies, which highlight the risks and importance of outsourcing (i.e., lower standards) and pressing social problems such as social exclusion, increasing violence and corruption. Third, it provides a set of nuanced insights and avenues for future research on this important but yet neglected theme within the SCM discourse.

Next section, we briefly review the literature on social aspects of sustainable supply chains and present our proposed theoretical model to understand better social sustainability within supply chains. We then detail the methodological aspects of this research in section 3. Section 4 is dedicated to results of the empirical study with an explanation of our four exemplary cases from Brazil. This is followed by section 5, where we discuss the implications of this research for practice and theory and highlight the contributions of this paper to research on sustainable supply chain management.

2. Sustainable Supply Chain Management and Social Sustainability

Although a certain conceptual diversity is expected in relatively young fields, SSCM seems to bring an additional challenge by dealing with the integration of two complex concepts, such as sustainability and SCM (Touboul and Walker, 2015). Ahi and Searcy (2013) analyzed which key features should compose SSCM, adopting as its genesis the definitions of sustainability and SCM. The researchers classified the characteristics of each of them and then classified those of SSCM.

As a result, sustainability presented key characteristics with the following focuses: (1) economic, (2) environmental, (3) social, (4) stakeholders, (5) volunteering, (6) resilience, and (7) long term. In turn, SCM obtained key features with focus on: (1) flow, (2) coordination, (3) stakeholders, (4) relationship, (5) value, (6) efficiency, and (7) performance. Considering the overlapping of the feature with focus on stakeholders, applied twice, SSCM should encompass 13 key features. Following these features, Ahi and Searcy (2013, p. 339) proposed their definition of SSCM as

“The creation of coordinated supply chains through the voluntary integration of economic, environmental, and social considerations with key inter-organizational business systems designed to efficiently and effectively manage the material, information, and capital flows associated with the procurement, production, and distribution of products or services in order to meet stakeholder requirements and improve the profitability, competitiveness, and resilience of the organization over the short- and long-term.”

Supply chain social sustainability is understood as the addressing of social issues along the supply chain, that is, upstream and downstream of the focal company, going beyond internal operations, to suppliers and stakeholders, such as local community, society and consumers (Mani et al., 2015). Understanding social issues, however, is a complex challenge and have different variables attached to it. For this reason, a variety of definitions have emerged. For example, Klassen and Vereecke (2012, p. 103) argue that social issues in supply chains are "aspects related to products or processes that affect
human security, well-being and community development”. On the other hand, in a more detailed definition Chardine-Baumann and Botta-Genoulaz (2011) added that social issues include: social conditions of work (employment, respect for social dialogue, health and safety, development of human resources); human rights (child and forced labor, freedom of association, discrimination); social commitment (involvement in the local community, education, culture and technological development, job creation, health care, social investment); customer issues (marketing and information, health and safety, protection of privacy, access to essential services); and business practices (fight against corruption, fair trade and promotion of social responsibility in the sphere of influence). Some authors, such as Jorgensen (2008) and Gomes et al. (2014), guide their definition of social issues by linking them to life cycle analysis in order to follow the Social Life Cycle Assessment (SLCA). From this perspective, social issues are divided into four categories of impact (i.e. human rights, work practices and decent work conditions, society, and product-related responsibility), which is aligned with the social categories proposed by the Global Reporting Initiative (Jorgensen, 2008).

Mani et al. (2016) developed and validated categories of initiatives related to social sustainability in supply chains, which are focused on emerging economies and validated in supply chains operating in India. Table 1 describes such groups and identify studies that focus on each one of them.

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<tr>
<th>Category</th>
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<tr>
<td>Philanthropy</td>
<td>It includes practices such as: donations to religious organizations, encouragement for employees to volunteer in charitable units and to donate to NGOs that develop society, encourage suppliers in philanthropic activities, conduct community-building related activities for communities affected somehow by a supply chain</td>
<td>Carter and Jennings (2002); Mani et al. (2016)</td>
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<td>Health, Safety and Well-being</td>
<td>It includes physical and mental health that is directly related to safety and hygiene at work within the supply chain. It also considers hazardous materials and dangerous work conditions across the supply chain that could leave long-term effects on workers’ health and safety.</td>
<td>Carter and Jennings (2002); Jorgensen and Knudsen (2006); Hutchins and Sutherland (2008); Ciliberti et al. (2009); Klassen and Vereecke (2012); Gomes et al., (2014); Dubey et al. (2016); Mani et al. (2016)</td>
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<tr>
<td>Equity</td>
<td>It includes the assurance of diversity and tolerance across supply chains, including compliance with non-discriminatory policies.</td>
<td>Carter and Jennings (2002); Hutchins and Sutherland (2008); Gomes et al., (2014); Mani et al. (2016)</td>
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<tr>
<td>Ethics</td>
<td>It includes ethical compliance across the supply chain by respecting codes of ethical conduct transparency.</td>
<td>Carter and Jennings (2002); Dubey et al. (2016); Mani et al. (2016)</td>
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<tr>
<td>Human rights</td>
<td>It includes the assurance of rights inherent to all human beings, regardless of nationality, place of residence, gender, ethnic origin, color, religion or language.</td>
<td>Carter and Jennings (2002); Jorgensen (2008), Mena et al. (2010); Preuss and Brown (2012); Gomes et al., (2014); Dubey, et al. (2016); Mani et al. (2016)</td>
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Source: Adapted from Mani et al. (2016)

Mani et al. (2015) identified social practices in Indian supply chains and classified them into four phases: supplier relationship phase; internal operations phase; relationship with society phase and relationship with consumer’s phase. The results proposed with Mani et al. (2015) and Mani et al. (2016) indicate a potential adherence to the present study since they have been developed with a focus on emerging economies, such as Brazil in our case. Thus, the classification of social issues proposed by the authors (i.e. philanthropy, security, equity, health and well-being, ethics and human rights) is adopted.

**A Typology for Supply Chain Social Sustainability: SC Engagement and Motivation**

“TEN YEARS WORKING TOGETHER FOR A SUSTAINABLE FUTURE”

São Paulo – Brazil – May 24th to 26th - 2017
Implementation and management of social sustainability within supply chains can be analysed based on two fundamental dimensions, i.e., engagement and motivations, as shown in Figure 1. These two dimensions are prominent issues discussed in the sustainable supply chain management literature.

Engagement is understood as the extent to which the focal company gets involved with other supply chain players to address social issues or launch social initiatives. This engagement can happen through two modes: information exchange or structural collaboration. The first is related to simply exchange information such as sharing inventory data, demand forecasts; and the latter is connected to a higher degree of commitment and interaction, where the interaction becomes embedded in business practices and oriented toward integration (Vereecke; Muylle, 2006).

Collaboration plays an important role in improving the competitive advantage of supply chains (Silvestre & Dalcol, 2009; Gold et al., 2010). The development of joint efforts between the supply chain partners motivates changes (Klassen and Vachon, 2003) and can foster innovations that can lead to an improved sustainability performance. Collaboration in the supply chain also opens up opportunities for inter-organizational learning (Vachon and Klassen, 2008). In jointly adopting social initiatives, for instance, collaborative initiatives (e.g., offering training on social performance or resolving social issues on the suppliers’ side) can provide focal firms knowledge and skills to improve their own social performance in the future (Sanacha et al., 2016). Therefore, higher supply chain engagement in social initiatives (i.e., structural collaboration) is conducive to learning and knowledge accumulation inside the participating companies. Since the commitment is higher, this accumulated knowledge may be more likely to become embedded in the business practices of the entire supply chain (Matos and Silvestre, 2013).

Motivations are factors that impel organizations to implement social sustainability or start a social initiative within the supply chain (Gimenez; Tachiawa, 2012). The primary motivation behind an action can be classified as intrinsic and extrinsic. Approaches based primarily on extrinsic motivations are focused on ethical considerations and values of the decision maker (i.e., it is the right thing to do) (Muller; Kolk, 2010).

Approaches based on extrinsic motivations are related to the idea that “it pays to be ethical” (Burke and Logsdon, 1996), are associated with risk-avoidance and/or opportunity-seeking behaviors (Silvestre, 2016) and can be linked to a multiplicity of drivers (see Table 2). Approaches based on intrinsic motivation are related to the mindset of the decision-makers and organizational culture (instead of temporary opportunities and risks), and are associated with a single driver (see Table 2).

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Description</th>
<th>Studies</th>
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<tr>
<td><strong>Extrinsic Motivated (i.e., direct or indirect financial rewards) Initiatives</strong></td>
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<tr>
<td><strong>Competition</strong></td>
<td>Competitors undertaking sustainable initiatives is the primary motivation for organizations to enhance their SC sustainability</td>
<td>Sarkis et al., (2010); Grosvold et al. (2014); Dubey et al. (2016)</td>
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<tr>
<td><strong>Market</strong></td>
<td>Pressure from customers willing to buy sustainable goods and services is the primary motivation for organizations to enhance their SC sustainability</td>
<td>Lee and Kim (2009); Awaysheh and Klassen (2010); Hassini et al. (2012); Klassen and Vereecke (2012); Varsei et al. (2014); Marshall et al. (2015); Meixell and Luoma (2015); Dubey et al. (2016); Sanacha et al. (2016)</td>
</tr>
<tr>
<td><strong>Regulations</strong></td>
<td>Law and regulations from Governments, agencies, associations and financial</td>
<td>Linton et al. (2007); Lee and Kim (2009); Hassini et al. (2012); Marshall et al. (2015); Dubey et al. (2016)</td>
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Reputation and competitive advantage

Enhanced reputation through marketing campaigns and the search for competitive advantage is the primary motivation for organizations to enhance their SC sustainability

Awaysheh and Klassen (2010); Linton et al. (2007); Gold et al. (2010); Klassen and Vereecke (2012); Grosvold et al. (2014); Luzzini et al. (2015); Silvestre (2015b);

Secondary Stakeholders

Pressure from media and NGO activism is the primary motivation for organizations to enhance their SC sustainability

Awaysheh and Klassen (2010); Hall and Matos (2010); Klassen and Vereecke (2012); Matos and Silvestre (2013); Meixell and Luoma (2015); Yawar and Seuring (2015); Sancha et al. (2016)

Ethics and Values

Decision-makers’ ethics and/or organizational values are the primary motivations for organizations to enhance their SC sustainability

Hall et al. (2012); Beske and Seuring (2014); Varsei et al. (2014); Meixell and Luoma (2015); Silvestre (2015a); Dubey et al. (2016)

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<tr>
<th>Extrinsic Motivation</th>
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<tr>
<td>Social initiative that is initiated by a SC focal company based on <strong>extrinsic motivations</strong> (e.g., gain competitive advantage, increase market share, improve reputation, etc). Focal company’s engagement with the rest of its SC is based on <strong>structural collaboration</strong> to achieve the desirable goal (i.e., internal resources to the organization are not enough).</td>
<td>Social initiative that is initiated by a SC focal company primarily based on <strong>intrinsic motivations</strong> (e.g., ethical considerations, satisfaction because this was the right thing to do, etc). Focal company’s engagement with the rest of its SC is based on <strong>structural collaboration</strong> to achieve the desirable goal (i.e., internal resources to the organization are not enough).</td>
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<td>Social initiative that is initiated by a SC focal company based on <strong>extrinsic motivations</strong> (e.g., gain competitive advantage, increase market share, improve reputation, etc). Focal company’s engagement with the rest of its SC is based on <strong>information exchange</strong> only because the organization can achieve the desirable goal with existing internal resources.</td>
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Although expected to be less common, supply chain social initiatives based on intrinsic motivations may be more likely to stick for a longer period of time and achieve more permanent and significant results. The combination of these two fundamental dimensions (Figure 1) contributes for our understanding of social sustainability within supply chains.
Figure 1 – Framework for managing social sustainability into supply chains

For instance, it is expected that focal companies that engage in structural collaboration with their supply chain partners on initiatives based on intrinsic motivations are more successful in truly addressing social issues across the entire supply chain and might achieve more pervasive results. On the other hand, initiatives based on information exchange and primarily extrinsic motivations might have more limited and temporary results. To describe and exemplify each quadrant of the framework, four cases with their respective social initiatives in supply chains are presented.

3. Methodology

The research seeks to describe the phenomena of interest and identify plausible relationships that shape the phenomenon (Yin, 1994). We develop four preliminary cases based on social initiatives developed by focal companies from supply chains operating in Brazil that shed additional light on the dynamics behind the implementation and management of social sustainability in supply chains.

The emphasis on focal companies is explained by their leadership role over the other actors in a supply chain, specifying supply chain policies for other members and exercising control over various decisions and activities (Cooper and Ellram, 1993, Seuring and Müller, 2008; Silvestre, 2015a). In addition, such companies establish direct contact with consumers and receive the most pressure to adopt sustainable practices and to control sustainability performance (Seuring and Müller, 2008). It is usually the focal companies that are held accountable for consumers, NGOs, and the media for supply chain products and practices (Beske et al., 2015).

The use of case studies is highly recommended to develop conceptual models for social factors in SCM (Seuring, 2008b; Brandenburg et al., 2014) and the context of emerging economies seems to be particularly important in the scenario of outsourcing of suppliers, since they tend to have much lower socioeconomic standards than the industrialized countries and greater vulnerability in their population, which results in a superior demand for elements in SSCM (Busse, 2016).

The data collection strategy was designed to be implemented in two phases. First, the researchers collected information from focal companies’ social initiatives within their supply chains operating in Brazil. This first phase was based on secondary data collection and analyses, and the researchers used the internet as the departure point. Researchers analyzed companies’ sustainability reports, mass media news, industry reports and other relevant documents. This phase was executed in January/February 2017. The second phase of the data collection strategy is based on primary data, where the researchers will interview multiple key-informants from different stakeholder groups (companies’ employees, NGOs, consumers, policy-makers, university professors, and other relevant community members) connected somehow to these social initiatives. This phase is planned to be executed in March/April/May 2017.

4. Results

The first phase of the data collection strategy aims to identify exemplary social initiatives connected to the four quadrants of our theoretical model. Therefore, the results presented here are preliminary, and will help us to validate our model, understand additional implications of these SCM social strategies and form the basis for the second phase of the data collection strategy. The adoption of social initiatives based on extrinsic motivations and structural collaboration has been identified in the CropScience Child Care Program, developed by Bayer, a firm that operates in the areas of health care and agriculture. As a reference for its extrinsic motivations towards sustainable and social initiatives, an initial evidence is the firm’s position regarding its sustainable strategy: focus on business practices that reduce business risks and opens up new business opportunities. In turn, structural collaboration manifests itself in some of its social initiatives. To prevent child labor at its riskier suppliers, Bayer allocates a team of experts to visit agricultural areas, mostly in India, throughout the seasons to raise awareness for workers’ age requirements. Suppliers that strictly observe the criteria on child labor receive a bonus and training programs on agricultural efficiency (BAYER, 2014). This is an example of social initiative originated by a firm that seeks financial benefits (i.e., avoid reputational risks and
penalties related to child labor) and engages with its suppliers once internal resources to the organization are not enough.

Social initiatives centered on extrinsic motivations and information exchange has been recognized in the document Special Purchase Conditions for a Sustainable Supply, developed by Volkswagen, a firm in the automotive sector. The company strongly indicates in its sustainability reports the legal framework and legislation directly associated with its sustainable practices (VOLKSWAGEN, 2015), which is an indicative of the extrinsic motivation behind its actions. Engagement in one of its social initiative occurs by means of information exchange, through the dissemination of the Code of Conduct to suppliers, which requires from these actor's patterns of conducts for social welfare. Suppliers are required to complete a sustainability questionnaire and, based on the reports, an action plan is elaborated to assure suppliers' conformity (VOLKSWAGEN, 2014). Another initiative was the E-learn Sustainability Course developed by the Volkswagen Group. The online module on sustainability was completed by 616 suppliers located in Brazil (VOLKSWAGEN, 2014). In those cases, social initiative is initiated by the focal firm targeting financial benefits (i.e. attend legislation to prevent risks associated to future loses such as fines and loss of reputation) and willing to have limited engagement with suppliers (i.e., information exchange from and to suppliers only). In this context, the focal company acts as it can achieve the desirable goal with existing internal resources, that is, without a deeper engagement with suppliers.

A company from the food sector retracts the case for social initiatives grounded on intrinsic motivations and structural collaboration. Danone has its sustainability reports filled with quotes and personnel perspectives from its founder and CEO on sustainable issues and the original purpose of creating the company itself is reported as a sustainable initiative. Another factor of relevance is the creation of a social business started by the Danone's CEO with Muhammad Yunus, a Nobel Peace Prize winner. These are indicative as evidences of intrinsic motivation. The level of SC engagement reported can be associated with structural collaboration. Social initiatives are tightly connected to distant sections of their supply chains. It includes the development of the Danone Ecosystem Fund, a fund that provides training for small-scale farmers and micro-distributors (DANONE, 2016); and the Kiteiras Initiative, a new selling business model that reinforces the social character of the traditional direct selling with focus on the development of entrepreneurship and female empowerment (DANONE, 2016). In this case, social initiatives are initiated by the focal company based on primarily intrinsic motivation, mostly attached to ethics, values and the belief that it is the “right thing to do” and with a focus on the entire SC.

The case for social initiatives based on intrinsic motivations and information exchange was identified in the Let's Plant initiative, developed by Unilever. The initiative is part of the Sustainable Agriculture Code, whereby the firm ensures that its tomatoes suppliers for the Hellmann's Ketchup adopt cultivation practices by taking into consideration the social, economic and environmental aspects. For this initiative, Unilever developed an online platform, whereby consumers can interact, in real time, with local producers. The action enables Unilever to bring knowledge to the final customer regarding social responsibility in the SC, certification and quality assurance of its products (UNILEVER, 2014). Unilever CEO was interviewed by Fortune Magazine because of his ambitions on sustainable goals for Unilever (FORTUNE, 2017), and his own personal actions were understood as having a strong connection to the firm’s current sustainability approach and sustainability vision. This fact was considered as an indicative of the intrinsic motivation of Let’s Plant initiative.

5. Discussion and Contributions

In this study we analyzed how focal companies implement and manage social sustainability into their supply chains based on two dimensions. Build on previous literature (Vereecke; Muylle, 2006; Muller; Kolk, 2010; Gimenez; Tachiwa, 2012) we combine the notions of SC engagement (i.e., information exchange and structural collaboration) and initial motivations (i.e. intrinsic and extrinsic) to understand SC sustainability initiatives.

Four SC social sustainability initiatives were identified and presented to illustrate four different types of approaches to implementing social sustainability into supply chains. Two of them were related to initial extrinsic motivations (i.e., CropScience Child Care Program and Special Purchase Conditions for a
Sustainable Supply), but with different levels of SC engagement. The other two initiatives were related to initial intrinsic motivations (i.e., Danone Ecosystem Fund and Let's Plant), also with different levels of SC engagement.

By analyzing the scope of these initiatives, we suggest that SC integrating social sustainability through intrinsic motivations seem to implement initiatives less focused on short-term or specific issues. Danone’s initiative created a fund enabling a set of distinct actions across its SC, contemplating different partners and sections of its supply chain such as small-scale farmers, micro-distributors and retailers by fostering female entrepreneurs. In turn, Unilever improved the monitoring strategy over suppliers’ work conditions based on an integrated action with consumers and other stakeholders, creating awareness for the importance of social sustainability of local producers.

This research contributes to SSCM debate by adding the fundamental notion of social sustainability and arguing that they can be implemented into supply chains through different approaches, that are context-sensitive (e.g., with more or less internal resources and with different motivational natures) and might have diverse impact on SC sustainability performance in the long-term. The literature on SSCM may benefit from analyzing social and sustainable issues along the supply chain according to such approaches to identify which one(s) lead to better results in term of overall SC sustainability performance. A deeper understanding may explain why (or Why not) firms that are intrinsically sustainable tend to find more creative and broader ways to extend social/sustainable initiatives and have more permanent results. This study also contributes to the practice of SCM by reinforcing the case for SSCM and arguing that genuine management actions may leading to more robust and rooted results on sustainability.

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