

Chapter 7

Sustainable Supply Chain Management: How to Integrate Sustainability in a Global Supply Chain

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Abstract This chapter aims to analyze the fundamental issues related to a sustainable supply chain. Based on a case study conducted recently at suppliers for retail business in China, it evaluates why Corporate Social Responsibility (CSR) has to be discussed using a holistic approach alongside the whole supply chain and how CSR in a sustainable supply chain can improve its competitiveness and the quality of products. Furthermore, it provides a state-of-the-art compilation of the most frequently applied definitions of Corporate Social Responsibility and Sustainable Supply Chain Management (SSCM).

China has been selected as focus area, since more than 80 % of the goods in retail are manufactured in China. Beside the objective to prove the significance of CSR in global supply chains impacting product competitiveness, this chapter also summarizes the measures initiated by the companies interviewed and compiles commonalities into a CSR checklist for further application and amendment by CSR managers to improve their company's financial performance while using CSR measurements.

Keywords Corporate social responsibility • Sustainable supply chain management • Retail • China • Global sustainable supply chain • CSR management • Compliance management

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7.1 Motivation: Moral Responsibility: Ethical Dilemmas

We can find manifold examples and further evidence of ethical failures in all aspects of our daily lives. Complex technological integration within supply chains has created ever more complex systems out of previously isolated systems. This makes single organizations more vulnerable to ethical failure and thus a business ethics imperative is even more important to be considered within a business context (Westover 2015). But also economic imbalances between developed and developing countries will force global and local companies to undertake the mission to strengthen their potential customers with low buying power, economically and socially, integrating CSR aspects, and to apply personalized customer acquisition and retention methods which have not been used so far (Naci 2015).

7.1.1 *Companies Between CSR and High Performance Pressure*

Companies are increasingly recognized as the bearers of moral responsibility in both the manufacturing and the retail industry, calling for sustainable management of the environment, resources and human capital. Retail companies act in the context of sustained responsibility and permanently high performance pressure to increase efficiency since they are at the interface between the producer and the consumer and in continuous focus of society. At the same time, it is difficult to distinguish CSR from corporate governance and corporate citizenship, due to their proximity in content and partly identical objectives. Companies can develop various categories of responsibility and bundle their corporate sustainability activities (e.g. through corporate culture, or commitment to the community). This implies a legally binding obligation for CSR and the creation of win-win-win situations for all stakeholders of a sustainable supply chain (Beck 2016).

Moreover, in this context, current negotiations in court also underline this new focus on global responsibility of transnational companies for their supply chain concerning compliance with and the implementation of human rights, socially acceptable working conditions as well as environmental protection at their supplier base (Jungkamp 2016).

7.1.2 *Corporate Social Responsibility as “Social License to Operate”*

CSR must be understood as an essential prerequisite for the survival of companies rather than a pure luxury activity in economically prosperous times (Müller 2008). The motivation for companies to engage in CSR ranges from ethical consciousness

to voluntary service in order to ensure the legitimacy of company activity and to get a so-called “social license to operate” from all stakeholders and society in general.

The European Commission defines CSR, on a voluntary basis, the approach of companies to integrate social concerns into company activities and to interchange with stakeholders. CSR can also be described as the triangle of responsibility (in the result), attitudes (to assume responsibility) and fundamental business practices (to show responsibility in action, e.g. CSR integrated in the international/global supply chain), which can and should be implemented with sustainability management systems (systematic approach and set of methods) (Weber 2008).

7.1.3 Ethical Culture: From Conformism to a Culture of Integrity

Ethical culture, impeccable reputation, and promoting integrity are key ingredients of moral leadership, and are interconnected with morality, integrity, and compliance concepts which any company has to target at least in some way. To translate the company’s values, principles, and beliefs into practice, any company has to move from conformism to a culture of integrity. Risk management can be seen as one approach to pursue this. It needs to cover possible ecological and social impacts and risks along the supply chain. Moreover, a company’s risk management system has to add value to the company, i.e., it needs to be part of the organizational and the decision-making processes. It should especially point out the uncertainties and presumptions, and should be organized in a systematic and structured way (Vaduva et al. 2016).

7.2 Definitions of CSR: Different Perspectives

Although there are a high number of CSR and business ethics studies in research available, no universal definition for CSR can be found.

7.2.1 The CSR Definition of the European Commission

In March 2000, the European Council made a special appeal to companies’ sense of social responsibility regarding best practices for lifelong learning, work organization, equal opportunities, social inclusion and sustainable development. This initiative resulted in the first green paper of the European commission titled “Promoting a European framework for Corporate Social Responsibility” (European Commission 2001). The green paper defines CSR as follows: “Most definitions of corporate

social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Commission 2001).

In 2011, the European commission puts forward a new definition of CSR as “the responsibility of enterprises for their impacts on society” (European Commission 2011). The European Commission more specifically states “to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” (European Commission 2011).

7.2.2 CSR Defined by the International Organization of Standardization

The International Organization of Standardization (ISO) published its standard ISO26000:2010 in 2010 which was prepared by the ISO/TMB (technical management board) working group on social responsibility (International Organization of Standardization 2010) and was further reviewed and confirmed in 2014. It defines CSR as the “[r]esponsibility of an organization for the impacts of its decisions and activities [including products, services and processes] on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society, takes into account the expectations of stakeholders, is in compliance with applicable law and consistent with international norms of behavior, and is integrated throughout the organization and practiced in its relationships [that refer to an organization's activities within its sphere of influence]” (International Organization of Standardization 2010).

7.2.3 CSR Defined by Experts

In early work, Luetkenhorst (2004) describes CSR as an approach whereby “companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis [...] not only fulfilling legal expectations, but also going beyond compliance.”, what most authors agree to.

Loew and Rhode published a slightly different definition compared to the European Commission in 2013 (Loew and Rohde 2013): “CSR is a company’s responsibility for the impact of its activities on society and the environment, and its CSR management, so that the use of appropriate procedures, and the implementation of projects that allow the company and its activities to avoid or minimize the negative impact on individuals, society and the environment, respect applicable law, adequately consider the interests of stakeholders, and contribute to a sustainable development”.

7.3 Reasons for CSR in the Supply Chain: Push and Pull Factors

The aspect of CSR in the supply and value chain is directly addressed in the European Union Non-Financial Reporting Directive (EU NFRD) which was derived in 2014 based on the CSR definition of the European Commission and has to be transformed in national law until the end of 2016 by all EU member states.

Besides this future legally binding obligation for CSR (push factor) especially consumers increasingly require (pull factor) esp. retailers to offer CSR compliant products in order to meet their expectations (Sievers and Gerling 2012), and as a means of bearing their personal responsibility (Schoenheit n.d.). The demand for organic and fair trade products is growing as steadily as the group of consumers who want to combine healthy food with enjoyable food (Schaltegger et al. 2010).

7.3.1 LOHAS as Pull Factor for Sustainable Supply Chains

The so-called LOHAS consumers maintain a “lifestyle of health and sustainability” (Helmke et al. 2016) and want to know in detail the social and ecological conditions along the whole supply chain under which the products they consume are manufactured. They are also willing to pay a markup for CSR as an add-on feature, in particular for food items (Stehr and Struve 2015). Consequently, CSR is becoming a critical factor in the competitive environment especially but not only in the retail industry (Schaltegger et al. 2010; Stehr 2015).

However, retailers have to bear their responsibility on behalf of the whole value chain by integrating the supply chain (Heur 2014a). A study conducted by Stehr and Struve (2015) shows that consumers who believe they shop sustainably and responsibly are highly divergent in their actual buying decisions (2015). But still, the question remains: does CSR add value to the products?

Numerous companies have recognized the importance of CSR for the purchase decisions of consumers in the meantime. But the strategies taken by the affected companies are quite different (Jones 2016; Knoppe 2015). Companies in the textile industry are in a leading position, possibly due to the shattering events in Bangladesh in 2013 (International Labour Organization n.d.). The efforts of the parties affected are at most with regard to their own progress (Keck 2015a), but also with regard to the implementation and monitoring of the supply chain (Chi 2011).

Companies such as Puma (2016a) go even further beyond. They have committed themselves, not only to align their own actions according to the CSR standards, but to involve and monitor all suppliers within the supply chain as part of their responsibility to increase quality and improve financial performance (McGill n.d.). Puma has published its sustainability reports since 2007, describing all undertakings related to sustainability for the whole supply chain with increasing success (Puma 2016b).

7.3.2 *From Global Supply Chains to Sustainable Global Supply Chains*

But how are today's supply chains structured? Supply chains consist of many individual company members such as suppliers of raw materials, producers, distributors, logistics service providers, commercial enterprises and end customers, and are highly specialized and disaggregated. While, in particular, producers of high-quality market goods are strongly dependent on the cost, quality and delivery performance of their direct and indirect suppliers, Non-Governmental Organizations (NGOs) such as Greenpeace, Oxfam, Global Witness or China Labor Watch, but also enlightened and sustainable consumers like the so-called LOHAS, have placed the focal companies in the duty to ensure good social and environmental standards along the (global) supply chain (Werther and Chandler 2011). This development also plays an important role for international supply chains as they frequently face tensions between supply chain actors.

7.3.3 *Key Ethical Issues for Different Stakeholders*

Key ethical issues in global supply chains arise for producers, intermediators, retailers, and consumers, some issues, such as fair prices and production according to environmental and social standards concern all stages (Schlegelmilch and Öberseder 2007). Negative examples such as lead poisoned toys from Mattel in 2007 or the collapse of the Rana Plaza textile factory in Bangladesh raise a fundamental question for supply chain managers: *do the suppliers of a company's network produce according to internationally recognized environmental and social standards?*

Sustainability activities along all relevant areas of supply chain management, which are directly involved in the value-adding process, such as purchasing, product development and design, internal processes and production, logistics and recycling, require a functional categorization. Any money that is invested in sustainability will pay interest in the short to medium term through higher sales, better corporate visibility and higher profitability. The closer the company comes to the end customer, the more it benefits from sustainability activities.

However, the success effect decreases with increasing customer proximity. The most potentially economic profiteers are those who invest least in sustainability: end-to-end raw material and component suppliers. Unfortunately, end-to-end suppliers have not yet discovered the full economic potential of their sustainability commitment (Förstl and Schleper 2015).

7.3.4 *Reasons and Barriers for Sustainable Global Supply Chains*

Whilst SCM can be viewed as part of operations management, logistics, and purchasing, it can also be viewed as multidisciplinary breaking from the dominance of single disciplines (Burgess et al. 2006). Issues for SSCM and evaluation are sourcing, transformation, delivery, value proposition, customers and product use, and reuse/ recycle/ return of the products (Hassini et al. 2012). Reasons for SSCM are top management vision, government regulatory requirements, type of business sector, customer demand, competitor actions, and external stakeholders (e.g. NGO's). To measure the performance of SSCM, quality, price, reliability, service rate, delivery, and flexibility come into effect (Ageron et al. 2012).

Potential barriers for SSCM are financial costs, green investments, and return on investment, whilst benefits and motivation are customer satisfaction, supplier's capabilities to innovate, and quality (Contractor et al. 2010). Moreover, a green supply chain concept should be applied across the entire value chain sharing managerial approaches such as intended strategy or external collaboration.

7.3.5 *Sustainable Supply Chains in Emerging Countries*

The divergence in the interpretation of CSR can affect the strategy and performance of CSR-engaged businesses in emerging markets as well. In case of Apple, 331 of 600 manufacturing sites in Asia are located in China. Hence, the performance of Foxconn and Wintek as Apple suppliers is also of great interest. The development of CSR in China is in early stage today, whilst state-owned enterprises (SOE) are taking a leading role in CSR practices, and private or foreign enterprises are lagging behind. But still the question remains for the supply chain manager: *how to facilitate Chinese firms as part of the global supply chain to proactively adopt CSR practices in order to gain international competitiveness and to fulfil customer and legal requirements?*

So far, investigations on CSR focused mainly on western countries. However, only little attention was drawn to CSR activities in so-called developing and emerging countries (Schmidpeter et al. 2015). The ASEAN market with an annual growth rate of 4.5 % is currently one of the strongest economic regions in the world. The ASEAN market represents huge opportunities for consumer products with potential consumers of approx. 620 million (Verhezen et al. 2016). Due to recent trade agreements, the ASEAN region will most likely enter into a new dynamic period. China, on the other hand, offers enormous business opportunities in the China-ASEAN relationships (Crosby 2016).

7.4 Case Study: Chinese Suppliers: CSR in the Retail Supply Chain

The following case study was conducted as an empirical survey using expert interviews. These interviews themselves were carried out during two 14-day stays in China in autumn 2016. China was chosen as target country as a main “global supplier”: the majority of electrical appliances and consumer electronics are made in China (Heidemann and Weber 2015). The selection of the surveyed companies was based on multiple criteria: firstly on their relevance due to their business segments, and secondly on the ability to compare multiple suppliers of the same business segments in peer reviews. The questionnaire contained quantitative, multiple-choice, as well as open questions to support the widest data collection possible in quantitative terms (Baur and Blasius 2014) as well as in qualitative terms (Mayring 2008, 2010; Mayring and Frenzl 2014).

Even though the discussions in research on mixed-method studies are controversial, the approach allows to cluster the companies investigated, and to discover individual solutions at the same time. From the viewpoints discussed above, the question arises whether CSR-compliant products can be more competitive in the market than non-compliant products and what the consequences for the supply chain are.

At the same time, consumers are obviously not willing to pay additional costs that may arise as a result of conforming to CSR production conditions. In this respect, retail has to seek other approaches to introduce CSR. A decisive factor is that CSR is no longer seen as an external product feature; rather it is understood as an internal, product-determining property as shown in Fig. 7.1.

7.4.1 CSR and Its Impact on Product Competitiveness

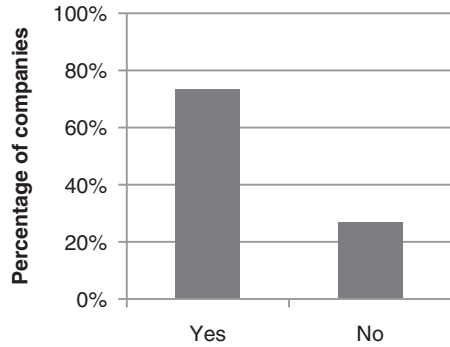
The characteristic as an internal, product-determining property is a basic prerequisite for CSR products to gain competitive advantage compared to standard products (Knoppe 2015). In the context of competitiveness, the products of the market participants mutually compete in terms of price, quality, service or design (Tolksdorf 1994; Wish and Bailey 2015).

As already mentioned above, China is a major hub in global supply chains. For instance, two companies located in China manufacture 80 % of the global microwave production. About 60 % of the round and coin cell three companies in China



Fig. 7.1 CSR impact on product competitiveness

Fig. 7.2 Has your product quality increased?



manufacture batteries worldwide; the same is true for the top 5 manufacturers of electric kitchen appliances.

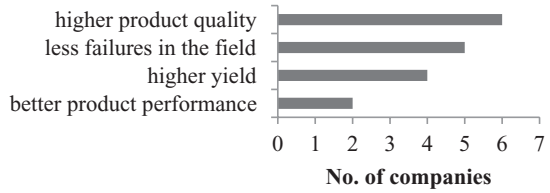
Hence, it is essential to evaluate the understanding of the impact of CSR on product competitiveness and pricing for those key members of global supply chains. In a first step, the companies were asked about their understanding concerning the impact of CSR on product competitiveness and the supply chain in general. Five out of 15 respondents (33 %) provided answers that can be clustered with “better product quality“. The second most common clusters are “training of the employees”, “lower manufacturing costs”, and “employees are more motivated” with 3 of 15 respondents (20 %). The respondents being asked to quantify the impact on the products can further confirm this understanding. Five of 15 respondents (33 %) reconfirmed “higher product quality”, 4 respondents “higher production yield”, and 2 respondents “better product performance”. Product quality as non-price competitive advantage (Gersmeyer 2004; Li and Liu 2014) was stated as key factor to increase product competitiveness through CSR. The initial assessment of product quality could be re-confirmed by 11 of 15 respondents (73 %) when asking if CSR has improved product quality (Fig. 7.2).

When being asked to what extent has your product quality increased, most of the respondents (55 %) stated “higher product quality”. Furthermore, 46 % of the respondents indicated “less failures in the field” which proves the non-price competitive advantage for the consumers using the items. This advantage was further confirmed by 18 % of the responses stating a “better product performance”. But also the manufacturing costs are improved for 36 % of the respondents by indicating a “higher yield” in production through CSR as shown in Fig. 7.3 (11 respondents, minimum 2 responses).

Moreover, the companies are able to specify the reason for the increase of product quality. The majority of 55 % indicated “higher skilled employees” as reason: the second most common response with 36 % stated a “higher loyalty of employees” as reasons for the increase of product quality.

But also “higher motivated employees” by 27 % of the responses, and “greater automation” with 27 % of the responses are stated as key factors as well. Further reasoning provided “working conditions”, “safety at the workplace”, “automation”,

Fig. 7.3 To what extent has your product quality increased?



“less manual work”, or “lean production” as factors impacting product quality in a positive way. Some companies were even able to quantify the impact of CSR on product quality. The majority (55 %) of respondents indicated a higher yield with up to 20 % to quantify the impact of CSR on product quality. The second largest cluster with 45 % of the responses indicates less failure in the field stating an improvement of up to 10 %.

7.4.2 *The Positive Impact of a CSR Report*

But the 15 companies can be further grouped whether they prepare a CSR report or not. Eleven respondents (73 %) stated that their company is already preparing a CSR report. Four respondents (27 %) replied that they do not prepare a CSR report. This distinctive feature can be used to cluster the answers provided, since the preparation of a CSR report indicates that the companies has already been exposed to CSR related issues, whilst the other group may not have reflected about CSR so far. While 82 % of the respondents preparing a CSR report stated an increase of product quality due to CSR, only 50 % of the respondents without CSR report shared this assessment as shown in Fig. 7.2.

In contrast to the most common perception, CSR is not necessarily related to additional costs. Furthermore, the investigation revealed that CSR has the largest impact through “weak” factors such as employee recognition, identification with the company, and opportunities for personal development. However, this underlines that CSR helps these companies to consider its employees not only as its most valuable resource, but moreover, to integrate them as stakeholders into the decision-making of the company.

Secondly, CSR improves product competitiveness to a great extent. However, this approach can only work efficiently, if all stakeholders of the supply chain are involved and engaged. Even though the own company may be a good starting point to introduce the concept of CSR, sustainable and reliable advantage for all parties can only be achieved if all stakeholders are involved as described for the introduction of CSR top down due to the international/global customer requests.

The analysis and interpretation of the findings proceeded on several levels. Firstly, the surveyed companies are able to increase employee motivation, loyalty, skill level, and safety by means of most simple activities such as recognition, training, participation, personal development, and protection of the employees. The

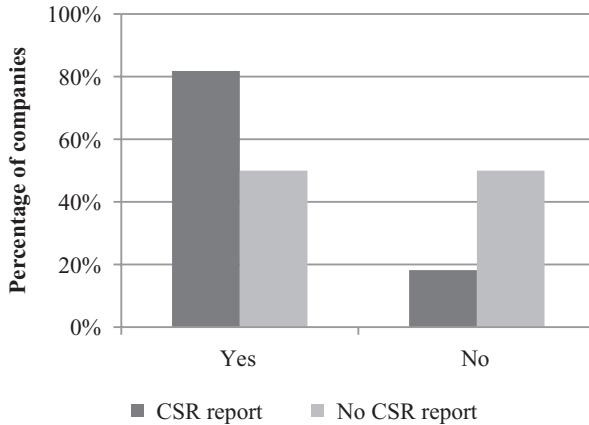


Fig. 7.4 Has your product quality increased?

companies are further able to increase product and company competitiveness through the improvement of product quality. This is a win-win situation for all stakeholders: the Chinese company, the employees, the suppliers, the customers, the environment, and the society (Heur 2014b; Lehmacher 2016). But also the international consumers will benefit from higher product competitiveness through higher quality products at a lower cost (Hackl 2015) (Fig. 7.4).

7.5 CSR Management Checklist for Sustainable Supply Chains

All findings discussed above can be translated into a CSR checklist for supply chains combining internal and external perspectives. This list of questions allows pursuing a gap analysis and comparing different companies on a peer level. The checklist is structured in different segments (employees, work environment, company, and society) depending on the level of impact.

7.5.1 Suppliers

- Do you monitor the status of CSR implementation at your suppliers' end? Do you know their CSR strategy?
- Do you know your first-tier, second-tier, third-tier suppliers and their CSR management approaches and systems?
- How and how often does your company monitor the status of CSR implementation?

- Which Key Performance Indicators (KPIs) and other measurements of your company could help to monitor the CSR development of the different levels of tier supplier?
- Which KPIs are required in order to fulfil social and legal requirements (e.g. due to the European Union Non-Financial Reporting Directive)?
- How could you integrate the development, the mentoring and teaching of the supplier regarding the social, environmental and legal issues in the company's strategy and operations?

7.5.2 Employees

- How do you evaluate the employees' feedback in relation to CSR and in terms of the supplier?
- What measures can help to improve employee working conditions on the supplier side?
- How can your company improve employee training either at home or at the suppliers' side in relation to the CSR approach and the CSR strategy?
- How can your company increase employee motivation? What measure can you improve further?
- Would you consider the payment to be fair and competitive? Are you referring to the right benchmark?

7.5.3 Work Environment

- How can your company improve the working conditions for the employees (local/national/international)?
- How can you enhance the safety of the work environment at all stages of the supply chain?
- How about your risk management and compliance management systems? When do you plan to implement those systems? Who is in charge of?
- What measures can help to enrich the employees' jobs?
- What measures can reduce labor intensity at your company?

7.5.4 Company Level

- Do you have to fulfil the legal requirements of the European Union Non-Financial Reporting Directive?
- Do you have a CSR responsible person? What is the organizational level (e.g. department level) (s)he is located at?

- Are you intrinsically/externally motivated to publish a CSR report? When are you going to publish a CSR report?
- What financial benefits can you generate while implementing CSR on all levels of the value and supply chain?
- How can your company establish the exchange between employees and management level?

7.5.5 Society/Environment

- What is your impact on environmental/social developments on a local, national, global level from your entrepreneurial activities?
- How do you measure these impacts along the value chain and your supply chain?
- How can your company reduce energy consumption?
- How can your company reduce waste generation?
- In what educational programs can your company engage?
- In which way does your company engage in public welfare?
- Which CSR projects do fit into the corporate strategy and thereby do create an internal and external benefit?
- Which CSR projects could increase your “social license to operate” under the global CSR perspective?

7.6 CSR in the Supply Chain as Future Proof of the Company

In the scope of global SSCM and to understand differences in CSR interpretation, it is also important to understand the nature of intercultural competence, and the process by which intercultural competence develops. This can help to evaluate how individuals can be taught, trained, and/or mentored regarding the development of intercultural competence (Vande Berg and Paige 2009).

Sustainability and in broader understanding CSR can be seen as a future proof of the company and not primarily as a marketing tool or philanthropy. As an integral part of the corporate strategy, it can guide on the way to a 100 % sustainable business including sustainable supply chains, environmental and social responsibility in the production, social commitments and social responsibility to the employees, consumer protection and consumer responsibility, and promoting sustainable consumption. In addition to strategic alliances, a program to enforce social standards for suppliers should cover social and environmental code of conducts, monitoring, qualification, stakeholder dialogues, and verification (Schiebel 2015).

7.7 The Role of Management in Implementing SSCM

Due to their strong authority, top management members possess a great influence on the value structure and ethical culture of their company. To successfully implement CSR measures within the company, ethical actions have to be embodied and actually lived by the company's management (Stehr 2015). To do so, trust is a necessary basis for collaboration and organizational commitment. Unfortunately, up to board level, managers are described as being dishonest in the future development of the company, and how the internal competition issues were played (Bachmann 2017). Hence, the way how the company operates can only be influenced by changing leadership realities. In effect, this would mean that more than 90 % of the existing research in CSR is analyzing false transformational drivers.

But CSR cannot be always explained in terms of a strategic commercial interest. Also, each individual manager can exercise influence by initiating or changing specific projects to address personal moral concerns (Hemingway and Maclagan 2004).

Not only have the companies taken benefit from their CSR activities, but also the society. Different integrative CSR management approaches such as CSR strategies, non-profit management, shared value chain management, sustainable supply chain, or ISO26000 provide short-term, mid-term, and long-term benefits (Schneider and Schmidpeter 2015). To implement those strategies, top management has to act as anchor of the company's concept of responsibility as they possess great influence on the value structure and ethical culture of the company (Keck 2015b). The implementation of CSR as a management tool enables the companies to be better manageable and competitive since the simplicity of methods and tools leads to systematization (Schneider 2015).

7.7.1 *Skills and Tools of CSR Managers*

In order to successfully implement the requirements of CSR, a CSR manager should own a leading role acting as relationship manager with social skills, engage as motivator with high flexibility, and persistently strive for an innovative CSR management. In order to monitor the progress of CSR management, Lotter and Braun (2010) proposes the introduction of a CSR scorecard with four perspectives: finance, internal processes, learning and development and customers/stakeholders. This scorecard can be further developed to a strategy map to visualize the cause-effect-relations.

The CSR report primarily addresses information requirements of stakeholders external to the company and thus complements the merely internal focus of a CSR scorecard to provide a comprehensive managerial view on CSR activities. The structure of a CSR report should have the following characteristics: key figures, preface of the management, short profile of the company, vision and strategy, company policy, organization and company performance. Moreover, to ensure sustained

success of CSR management, the CSR goals, performance indicators, movement, as well as definition of new goals should be included as well (Lotter and Braun 2010).

7.7.2 Sustainable Supply Chains: Integrating a Global CSR Perspective

A differentiated consideration of the concept of CSR has a direct effect on a company's CSR strategy evaluating sustainability competence vs. relevance in the industry, and defensive (compliance, risk limitation) vs. offensive (pro-active use, competitive advantage) approaches. In this context, CSR 4.0 manifests as the new future of CSR, with the approach "think global, act local" for either the management and or the employees. It follows the understanding that even an international company must be aware of its local context abroad and needs to promote it in the sense of a mutual dependency between companies and society. It leads to a new global Corporate Citizenship, since sustainability and compliance can no longer be separated and restricted to the limits of one's own company but must holistically cover the entire value chain. This makes efficiency and effectiveness the two biggest and most important advantages of a common approach (Stehr and Struve 2015).

7.7.3 Compliance Management in Sustainable Supply Chains

In addition to the relevance of CSR to the product, the supply chain and a company's competitiveness, further aspects are equally important to the company's success. The significance of compliance and compliance management, as well as legal requirements (e.g. European Union Non-Financial Reporting Directive) and risks of liability, possible allegation of the lack or insufficient organization of rules of conduct have steadily increased. The compliance officer plays a key role as a responsible manager for the control of legal opportunities and risks. Key roles are protection and risk management, consulting and information, monitoring and supervising, quality assurance and innovation, as well as marketing. Core elements of effective compliance management are identification, compliance risks, promoting a culture of compliance (code-of-conduct), information and training, checking, detecting and sanctioning of infringements. The compliance officer has to report to the top management and compile a compliance report in written form for documentation and evidence purposes. The frequency should be at least annually. The extent of the reporting depends on the risk structure and the compliance status of the company (Schulz and Galster 2015).

7.8 Conclusion

This chapter intended to show the benefit to all stakeholders of applying CSR not only within the horizontal level of the global sustainable supply chain. The highest impact of CSR to a value chain can be achieved at the far-end of the suppliers. The case study showed that CSR will lead to a higher competitiveness of all stakeholders involved in the value chain underlining that a global sustainable supply chain can only be discussed in a holistic approach involving all stakeholders affected. Furthermore, the results showed that a higher focus has to be drawn to the countries of origin in order to understand the specifics of local CSR applications. The CSR implementation checklist can support CSR managers in evaluating successful best practices for further application in their individual company. However, aligned CSR activities among all parties involved will increase the customer benefit through a higher competitiveness in a global perspective.

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