The Evolution of Sustainability in a Global Firm and Its Supply Chain

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Abstract

Firms typically go through an evolutionary process in development of their Corporate Social Responsibility (CSR) programs. This paper traces the development of CSR initiatives and the incorporation of sustainability into the corporate culture and business model of a large global firm in the electronics industry. The process at this firm involves several distinct stages and extends over a period of more than ten years. The organizational and managerial factors facilitating the broadening and deepening of CSR penetration and the institutional barriers encountered are discussed. The importance of fitting CSR initiatives to a company's core competencies is evident at this firm where their most successful programs, in both a business and societal benefits sense, have used the firm's networking expertise to provide communication services and training in both developing and developed countries. At its current stage of evolution, CSR at the firm has achieved penetration into most functional areas and is a decision criterion for many operational and strategic decisions. The firm is currently extending its sustainability efforts to its supply chain partners across the globe collaborating with them to improve their performance and build their capabilities in CSR. However, the expansion into the supply chain has not been without its hurdles. The company's sustainability programs are discussed in the context of the theoretical and empirical literature on CSR. Implications for other firms undergoing a similar evolutionary process are highlighted. The next stage in this firm's evolutionary process of expanding CSR into its global supply chains is discussed in the terms of its potential and challenges.

Keywords: corporate social responsibility, sustainability, global supply chains, technology transfer, lean production

1. Introduction

Since the 1980's firms around the world have confronted an array of pressures to become "socially responsible". Of course, many firms have always tried to operate in a socially responsible manner, but as global concerns about the environment and working conditions in developing countries increased, many companies became more aware of these issues. The term "Corporate Social Responsibility" (CSR) began to be used to describe the efforts of firms to address these societal concerns. Waddock (2008) and Eccles et al. (2014) provide excellent histories of the development of CSR. Many firms initially embarked upon their CSR efforts as a defensive measure to respond to or prevent negative publicity. Their CSR efforts were directed mainly towards Public Relations and housed within that function within the corporation. As firms became more involved in CSR often they began to realize that there were benefits beyond maintaining a good corporate image. The name itself for these endeavors evolved into new terms such as "sustainability" and "corporate citizenship" to reflect the broader view of CSR some firms were adopting. In this paper we discuss theories of how social issues like CSR evolve in society and within firms and apply those concepts to a particular firm in the global electronics industry to provide insight into how social issues can fundamentally change a corporation.

The pressures on companies to be socially responsibly are diverse and increasing. These societal pressures include demands from the company's stakeholders (employees, customers, suppliers, communities, governments, shareholders) but also from some new sources that have arisen in recent years (Waddock, 2008). These include pressures from their peer companies, ratings and rankings such as *Fortune* magazine's annual "Most Admired Companies" issue, Non-Governmental Organizations (NGO's), and social investors who direct their investment to socially responsible firms. Some firms have also come to see CSR as "enlightened long-term self-interest" (Blake, 2006) whereby they believe that the firm will actually profit from its CSR efforts. There is an increasing body of evidence that sustainability efforts can actually increase shareholder value (Eccles et al., 2014; Freeman

et al., 2010; Porter & Kramer, 2011). There are several channels through which CSR could accomplish this (Blake, 2006; Eccles et al., 2012; Clarke, 2007; Mefford, 2012, Kim et al., 2014). These include increasing productivity and quality, reducing costs, motivating employees, mitigating risks, and increasing brand image and sales. How these effects play out in different companies will vary in significance depending on various factors specific to the firm and the industry.

Firms are at different stages in responding to the pressures and benefits of CSR. There have been a few case studies of how the process of becoming more socially responsible has evolved in firms (Blake, 2006; Spence & Bourlakis, 2009; Castello & Lozano, 2009) and some theory has been developed. Mirvis & Googins (2006) present a five stage model of the development of corporate citizenship. The stages are elementary, engaged, innovative, integrated, and transforming. The progression from stage to stage may not be linear and key factors such as CSR knowledge, attitudes, structures, and practices within the firm influence how the evolution occurs. Other forces including societal pressures, industry dynamics, cross-sector influences, and leadership and company culture also influence the pace and nature of the evolutionary process for CSR in a particular firm.

Another view of the development of CSR within firms is presented by Frederick (2008) in looking at the stages U.S. firms have traversed. He envisions four stages that firms progress through: social stewardship, social responsiveness, business ethics, and global citizenship. The first stage of social stewardship emphasizes corporate philanthropy and the firm's reputation. In the social responsiveness stage, companies react to government regulations and stakeholder pressure with negotiation and compliance. In the business ethics phase firms begin to modify corporate cultures by introducing codes of conduct and mission statements. In the last stage of global citizenship firms develop sustainability policies and emphasize code compliance throughout their international operations. In his model Frederick emphasizes the role of external drivers to movefirms through the different stages and modify their CSR policies and programs accordingly.

Blake (2006) proposes a three stage model where a firm goes from protector to builder to innovator in their CSR journey. At the first stage of protector a firm is primarily concerned with risk management to mitigate potential threats to its reputation, revenues, and profits. At the builder stage the firm begins to realize some benefits from its CSR efforts in terms of reputation and cost reductions and expands its range of CSR activities. As employee motivation and commitment to CSR increases it may move into the last stage of being a CSR innovator where it introduces new products and services that explicitly provide social benefits and develops strategic relationships to foster CSR. She believes that her firm, British Telecom (BT), has progressed to the last stage, at least in some dimensions such as developing new products for developing countries.

Costello & Lozano (2009) do case studies of six large firms (Nike, Shell, GE, 3M, CEMEX, and IBM) using data from interviews and workshops as well as publicly available information. They propose a three stage model of CSR evolution and identify seven strategic change factors influencing the process of evolution. The three stages are risk management, strategic intent, and citizenship. The seven strategic factors are: vision and mission statements, leadership, authority structure, differentiation strategy, span and depth, technology, and collaborative partnerships. The ways that the strategic factors develop in regards to CSR determine how the company will move through the three stages based on their framework. They state that most large U.S. firms appear to be between stages 1 and 2, risk management and strategic intent, and few have moved into the last stage of citizenship.

Spence & Bourlakis (2009) also propose a three stage model of the evolution of CSR in a firm that has a focus on the supply chain. They apply this model to Waitrose, a UK food retailer, emphasizing the extensive supply chain relationships that the firm maintains. The stages are Corporate Social Responsibility (CSR), Corporate Social Watchdog (CSW), and Supply Chain Responsibility (SCR). They differentiate the three phases as follows. In the CSR phase firms are primarily focused on codes of conduct for their suppliers. In the second stage they move into being social watchdogs using audits to determine if their suppliers are complying with their codes of conduct. In the last phase the firm engages in a collaborative relationship with its suppliers to jointly develop their supply chain responsibility programs. The authors place Waitrose in the second stage and beginning to move to the third phase of their model. Supply Chain Responsibility (SCR) is still an aspirational goal for most companies they believe. They discuss some of the problems that firms like Waitrose encounter in moving to the SCR stage such as power imbalance in the supply chain and the burden CSR activities can place on small and medium-sized firms.

In this paper, special emphasis is placed on supply chain CSR as this is the focus of this MNE (Multinational Enterprise) in the electronics industry and its current sustainability efforts. As the lead company of an extensive global network of suppliers, there is much potential for control and influence beyond the boundaries of the firm

(Gerrefi, 1999; Millington, 2008). This MNE is becoming increasing involved in product specifications for suppliers supporting its green initiatives as well as codes of conduct for labor issues. It is finding it must confront different regulatory regimes in the countries where it operates leading to problems with varying environmental and labor standard and the degree of enforcement (Millington, 2008). Also it must confront cultural issues in working with suppliers on product specifications, codes of conduct, and audits. These are issues that the company is considering as it expands its CSR efforts in its global supply chain and will be discussed later in the paper.

Several authors have pointed out the similarity of the evolution of CSR in firms to the quality journey that many firms went through in the 1980's and 1990's (Clarke, 2007; Lupin & Estry, 2010; Waddock, 2008). After experiencing devastating competition from Japanese firms, many U.S. and European companies began implementing quality improvement programs, as well as Just-in-Time and lean manufacturing approaches. At first there was denial by many of these companies that they had quality issues. Then there came gradual acceptance of the need to improve the quality of their products and piecemeal attempts to make improvements. As firms gained more experience with quality methods such as Total Quality Management (TQM) and Six Sigma, they began to realize that there were benefits over and above improving quality like increased productivity and lower costs, faster and cheaper new product development, greater employee involvement and motivation, and overall improved competitiveness and profitability. However, it was a slow learning process for many firms and many never achieved success in implementing quality programs or lean methods (Mefford, 2010). This may be a cautionary tale for firms attempting to move into later stages of CSR evolution as the extensive organizational and strategic changes required are very difficult to implement especially outside the boundaries of the firm as in a supply chain. These difficulties are compounded when dealing with firm in developing countries as well as small and medium-sized enterprises (SME) (Ciliberti et al., 2008; Silvestre, 2015).

The paper is organized as follows. The next section is a case study of how CSR has evolved at a large global firm in the electronics industry. It discusses how the company has responded to various external pressures and developed programs as its CSR efforts have broadened and deepened. Currently the firm is focusing on expanding CSR through its extensive international supply chains and global operations. Much of this MNE's development has traced the path followed by other large firms, but there are some key differences that will be examined in the discussion section. The global reach and supply chain emphasis are among these differences that will be considered. In the discussion section the challenges confronting firms extending sustainability efforts to their supply chains will be examined and some recommendation will be made. The conclusion section will summarize the company's CSR evolution and draw some lessons from it.

2. Case Study of a MNE's CSR Evolution

This MNE's CSR program has evolved over the course of more than ten years and continues to evolve. The dialog within the firm has morphed over this time from high-level conversations on possibilities for the future, to embedding CSR as a key part of the company's culture in everyday decisions which is reflected in a large number of employee's actions and appears on every employee's badge: "Socially responsible, making a lasting impact in our communities and around the world." The CSR migration has passed through several phases but has moved far beyond addressing its brand image as a sustainable or socially responsible company. Upholding human rights, complying with government regulation, ensuring a highly ethical corporate culture, and having global sustainability programs has been a mainstay of their CSR initiatives for years. However, the implementation of CSR has not been without its internal controversy and squabbles between those who want to see sustainability embedded into the operation and those who still subscribe to a notion that true social responsibility is to maximize shareholder's wealth.

The dual distinction of local immediate impact and global impact is what Frederick (2008), states are "two distinct ways of determining a company's CSR standing: looking at *the company as a whole,* or examining *the individuals* who make decisions and set policies for the company." This firm's CSR evolution will be evaluated using both approaches. In this section we will look at specific actions within the company to expand CSR beyond the norms and what the company as a whole states within their Corporate Social Responsibility reports and other publications. In addition, supply chain and operations CSR is looked at as a further progression beyond the stages of development advocated in some of the models cited above. Also, the concept of embedded sustainability will be highlighted as a solution for ensuring real and lasting CSR practices.

2.1 Evolution of CSR Programs

CSR at this firm early on started to move away from just stand-alone departments and into the mainstream of the business more than a decade ago. One of the first catalysts to drive these trends was the assurance that

compliance requests were implemented, such as the European Union's ROHS legislation, based on pressures from customers and other supply chain factors. The first proposals on the EU legislation started in 2002 and eventually shifted the industry to the point where it is now often cheaper to buy products withoutharmful substances such as leadand mercury. The company was able to leverage this shift in legislation to show why an environmental/CSR team was required within supply chain operations (between the years 2006-2007). Several internal discussions ensued post the EU legislation proposals on if the EU regulations would really shift the industry or if the regulation could be ignored. Before this event, CSR was limited to the corporate and PR departments at the company. Since then, and after many other legislation movements such as REACH, WEEE, etc., CSR has been expanded within the operation teams to work on broader CSR projects, proactively dealing with environmental, social, and health and safety concerns, and addressing such diverse areas as conflict minerals, carbon reduction, and supplier diversity.

Other programs that have started to gain traction inside the firmare efficiencies in logistics and design. These efficiencies have shown up in projects to reduce packaging; take back, reuse and recycle product; and operationalizing green design principles such as reducing the power output of products. This has become embedded into the design principles of the company. CSR inside the operation has moved beyond meeting compliance and become more of a "life-style" incorporated in the DNA of the company.

2.2 Challenges to Adoption of CSR

The CSR evolution at this firm has not been without its challenges. Different management theories, the quarterly pressures that all companies face to make the bottom line numbers, and the need to make solid business cases have been areas that have been addressed over the last decade. As a firm goes through the evolutionary changes, several key points should be addressed as can be seen in the firm's migration:

2.2.1 Moving CSR from Just the Corporate Level and Operationalizing It through the Company

Social responsibility was promoted from its early days focusing on areas such as philanthropy and giving back to the community. The proponents of CSR haveexisted within the firm's culture for a while, but what really started moving things forward is when the CSR efforts of the company moved from the corporate office to each operational unit. For example, supply chain management currently has teams setup around environmental compliance, green design, labor standards, and other CSR efforts. These teams are now embedded within the functional organizations and include experts from individual disciplines who have the passion to see CSR successfully implemented. Internal change management practices are critical at this stage to ensure short-term wins and to develop an advocacy group that grows within the organization.

2.2.2 Creating the Tools and Processes Necessary to Track, Collect, and Drive

Initially tools did not exist to implement CSR. Originally, the first tools were built around compliance programs. After, these tools and databases were joined with improved processes to help with green design. The efforts continue today by balancing the need to keep industry standards but also push the envelope from what already exists in the market. Processes had to change to include CSR principles at the level and importance of other operational performance criteria and drove the need to continually create systems and processes that move CSR priorities forward.

2.2.3 Ensuring the Finances Were/Are Allocated

Funding for CSR operationalization did not initially exist beyond corporate philanthropy. Individual teams within supply chain operations and engineering at first had to create budgets and make business cases for specific projects (such as EU ROHS compliance). Eventually these teams were expanded to take on environmental and CSR programs and have stayed as a core function embedded within the functional groups.

2.2.4 Look for Win/Win Projects (Profit & Society) with Positive Business ROI

This is a key part of any CSR program. The ability to define projects, articulate the ROI effectively to the key operational management of the company, and look for initial projects with very clear win/wins (society and business). This mindset helped gain additional traction within the operational groups on CSR projects. Once this initial hurdle was passed and the business itself saw that leadership in these areas drives good business return, other projects were easier to fund. The company has also been able to leverage industry partners to ensure that key CSR programs such as Supplier Code of Conduct audits and carbon reporting are implemented across the industry. In addition, supply chain management is now starting to score suppliers on the quality of their CSR reporting and their ability to meet corporate targets and implementation dates on CSR programs. Later in the evolution factor of embedding CSR, specific criteria were added within the supplier business reviews to measure customer performance. At first these changes were made in a separate scorecard category that included

communication and responsiveness of the suppliers. After a few iterations, and much discussion, proposals were made to move CSR measurement into both the quality and production sections of the scorecard to closely embed it within the functions that could make the greatest impact.

2.2.5 Bottoms up Grass-Roots Efforts and Top Down Support Are Both Needed

Initial grass roots efforts have been key within CSR journey at this firm. Some of these efforts helped spur the focus of senior management attention and the need for additional CSR investments even during past financially challenging periods. In addition to grass-roots efforts, key executive level support drove the actions and funding required tocreate CSR teams for compliance, green design, and other CSR related activities.

2.2.6 Don't Be Afraid to Try and Fail and Try Again and Again and Again

Theodore Levitt (The Economist, 2010), once observed that "sustained success is largely a matter of focusing regularly on the right things and making a lot of uncelebrated little improvements every day." The company's CSR journey has mostly been about continued and sustained CSR engagement within the operations. Projects are constantly being looked at, evaluated, and consistently implemented. This is a key reason for the success of CSR. Employees at every level are empowered, management encourages and supports engagement, and embedded operational team members do the hard work day in and day out. Not everything is perfect, and CSR still has a long way to go within this firm, but it will continue to pursue its long-term sustainability goals.

2.2.7 Embedded Sustainability Is the Key

There is much talk nowadays on sustainability especially from the PR departments of companies. To make real progress in sustainability (defined as balancing the needs of the 3 P's: Planet, People, and Profit) a company must embed it into its everyday operations and DNA. Otherwise, it becomes only a marketing promotion and it is not part of the core of the company. Every worker must embrace sustainability, and it needs to be within every function and operation of your company (from audits to supplier award selection, to product design, to if external stakeholders are treated fairly). The great thing about being a small or medium size business is that you can embed sustainable practice from the start, which can be seen in the latest Certified B Corporation guidelines. Large MNEs have a harder time ensuring every function; especially the finance department, until more research is published proving the link between doing good and being a more profitable firm.

2.2.8 A Change from Compliance to Collaboration Is Needed

Missing in most sustainability programs is the urgency to move towards an innovative collaborative program with the business functions and with the supply chain. Compliance and policing programs only work superficially and do not generate the game changing innovation that will come from a sustainability program that reinvents products, aligns technology with solutions, and co-creates programs of sustainability with suppliers.

2.3 Current State of CSR

CSR within this large MNE has moved far beyond regulatory compliance, and the firm has become a leader in driving CSR principles into its business processes. Supplier scorecards have started reflecting CSR-specific questions such as grading suppliers on the quality of their CSR reports. The company is building environmental and CSR practices into the product specifications, and employees and suppliers are now required to comply to codes of business conduct, with yearly sign-off. It is also collaborating closely with industry bodies to implement these changes as well as drive its own leading practices. CSR now addresses concerns related to the environment, labor rights, health and safety, and ethics, with teams who directly report to supply chain executives. In addition, societal impact, a measurement of the company's entire CSR program, is a key measurement in the latest CSR reports. The firm started publishing key performance indicators in its 2006 report. In the latest 2014 CSR report, the MNE now complies with Global Reporting Initiative (GRI G3.1) which addresses standardized sustainability reporting for a company's governance, economic, labor, human rights, society, and environmental impacts.

2.4 Future Prospects of CSR

The company's future CSR vision is to drive for increasing transparency around the supply chain, to integrate CSR practices with its operations, and move to a systems approach to ensure that it is embedded into the DNA of its employees, processes, and the companies within its supply chain. Building supplier capability in CSR will be driven by the firm as a leader in its industry, as well as working closely with industry bodies and partners to ensure the entire supply chain is practicing CSR at a level of transparency required. The supply chain CSR strategy looks at People, Planet, and Profit across both products and supplier management. In driving this transparency the company has increasingly been looking for ways to lead in CSR but at the same time to drive improvements and changes in industry standards. The EICC is a key building block for this engagement, as are

key industry standards such as ISO14001 and the GRI.

As CSR continues to evolve in this firm, employees are encouraged to make it part of their everyday work. Executive management has made it a top priority to drive the innovations into the supply chain. Suppliers are starting to get engaged, and many possibilities exist on how to further evolve CSR to a new stage of development beyond the classic CSR steps outlined earlier. This new stage will move beyond the walls of the company. It will be tied closely with the suppliers as the companies collaborate with each other to develop ethically responsible operations, utilizing standards bodies such as EICC, GRI, and ISO, and industry groups to drive change, and at the same time using the firm's influence in high-tech industry to advance CSR in general. This is the challenge and the hope of the evolving CSR program within the company and its supply chain. The company vision is to move beyond just competitive advantage and public image to be a CSR leader. It also will be working internally to integrate CSR into every aspect of the business engaging employees, suppliers, customers, and partners to demonstrate how businesses can not only make profits but also impact the world around them for positive change: a double bottom line – improved profit and positive societal impact.

Although the evolution of this MNE looks good on paper there are several issues internally that have caused it to not fully deploy CSR and sustainability practices into the supply chain beyond compliance. Internal politics, lack of urgency around the need to improve the supply chain (only 60% of suppliers have set goals for greenhouse gas emissions for example), and various levels of commitment and belief on CSR from different levels of management have caused several programs to stall and not yet achieve real collaborative social innovation in it supply chain. More can to be done to fully impact several layers into the supply chain. The MNE realizes this and has indicated in its latest CSR report that the company is looking at deploying its own technology to improve sustainability efforts within the supply chain. This is something that Greenpeace has been calling for IT companies, for almost a decade, to go beyond mere compliance in the supply chain and utilize their knowledge and computing power to transform other industries. (Greenpeace challenged the IT industry in 2008 at the Electronics Goes Green International Congress at the Fraunhofer IZM in Berlin.)

3. Discussion

The development of Corporate Social Responsibility at this firm follows some of the patterns suggested by the models of evolution of CSR mentioned in the introduction, but also has its own unique features and is moving into a stage the goes beyond most of the previously proposed frameworks. For example, the company would appear to be at the innovative stage and moving into the integrated and transforming stages in varying degrees in the Mirvis & Googins (2006) model. In the four-stage framework of Frederick (2008), the firm would be at the business ethics stage and moving towards the global citizenship phase. In the Blake three-stage model, this firm is entering the last stage of being an innovator. Costello & Lozano's three-stage model (2009) would also have the company transitioning into the last phase of citizenship. The framework that is probably most relevant for this firm, because of its emphasis on the supply chain, is the Spence & Bourlakis (2009) approach. They propose a three stage model of firms moving from Corporate Social Responsibility (CSR) to Corporate Social Watchdog (CSW) to Supply Chain Responsibility (SCR). This MNE has a multi-layered and global supply chain allowing for the "multiplier effect" noted by Preuss (2005), and thus it seems appropriate for the company to emphasize this aspect of their CSR activities.

In a large global firm the potential exists to have a significant impact beyond the firm's direct stakeholders. As the lead company in a global supply chain, a firm can exert influence on many external firms (Bowen et al., 2001; Millington, 2008). The tiers of suppliers that the firm has throughout the world mean that improvements in sustainability can diffuse throughout the supply chain and have an impact beyondthe firm's own customers, employees, communities, and shareholders. As sustainability practices are integrated into management of its suppliers, and their suppliers, and so on throughout the multiple tiers of its supply chain, many more customers, employees, communities, and other stakeholders will benefit. This firm sees this as a win-win situation for these companies and society, but spreading this vision presents many challenges. The company has progressed fairly rapidly through the stages of CSR evolution, but it has still taken more than ten years to reach its current state of development. As this firm has discovered, there exist many barriers to overcome in integrating CSR into the corporate strategy and culture. As it expands its supply chain efforts in CSR it will face a new set of challenges. As Millington (2008) observes "there is little evidence to suggest that ESCM [Ethical Supply Chain Management] is widely embedded through the supply chain in Western Countries or more particularly in the developing world". The experiences of firms trying to implement quality and lean production programs in the 1980's and 1990's reveal some of the problems that can arise in the transformative organizational and cultural changes required and can be instructive in how to overcome them.

At first most firms viewed Total Quality Management and Just-in-Time/Lean programs as specialized activities only affecting the production side of the business. Top management was rarely involved and only offered tacit support. Often they were implemented because other firms were doing so and it was felt necessary to try to implement these types of programs to remain competitive. The extent of cultural change required in terms of employee involvement, cross-functional teamwork, flat organization structures, and refocusing of corporate goals was often not grasped, and not implemented, leading to many failures of these programs. Only in firms where top managers were convinced of the competitive imperative of these programs and became personally involved did they become embedded into corporate strategy and culture and have a major impact (General Electric with Jack Welsh championing Six Sigma in the 1990's is an example). Integrating the quality and lean programs throughout the various functions and departments within a firm was a major challenge, but introducing them into supply chains compounded the difficulties. However, a few firms were successful in spreading lean and quality programs to their suppliers (Mefford, 2010).

There is a natural complementarity between quality/lean and environmental/social programs (Jackson et al., 2016; Lu et al., 2012; Gopalakrishnan et al., 2012; King & Lennox, 2001; Narasimhan & Schoenherr, 2012, Wang et al., 2015). Both lean and quality programs, when successful, focus on continuous process improvement. Lean production philosophy emphasizes "doing more with less" and eliminating any source of waste. Excess energy usage, unnecessary transportation, over-packaging, rework and rejects (which links quality to lean) all are forms of waste that are targeted for elimination by streamlining and making more consistent and reliable production processes. Linking CSR efforts with other initiatives can leverage upon those programs to facilitate CSR implementation (Klassen & Vereecke, 2012; Weingarten & Pagall, 2012). Many observers have emphasized that effective change programs require transference of both "hard" and "soft" technologies. Hard technologies are the product designs and production and communication equipment while soft technology represents the knowledge necessary to fully utilize the hard technology. The transference of soft technology is typically more challenging than transferring the hard technology and the failure to do so accounts for many failures of lean and quality programs (Spear & Bowen, 1999). The same lesson should be applied to diffusing CSR methods to suppliers where firms need to go beyond standards and practices to transfer the knowledge needed to introduce social and environmental programs (Fu et al., 2012; Sarkis et al., 2010). Inculcating principles, rather than just tools and methods, is essential to effective transference (Spear & Bowen, 1999). Since much of the soft technology is implicit, rather than explicit, collaborative efforts with close contact and working relationships are necessary to foster the transfer of CSR consciousness and principles

One of the biggest challenges encountered in obtaining supplier cooperation in quality and lean programs has been in getting them to view such efforts as a win-win situation. Often suppliers see such programs as an attempt by their major customers to impose extra costs and demands upon them with no offsetting benefits. In fact, some firms tried to impose these programs by giving their suppliers cost reduction and quality improvement targets with no guidance or assistance in achieving them. Usually such attempts failed. The companies that were able to successfully implement lean and quality programs in their supply chains worked with their suppliers to improve their production methods and were patient in expecting results (Womack & Jones, 1996). IKEA, the Swedish retailer of home furnishings, has taken this approach in getting their suppliers involved in their supply chain CSR efforts (Andersen & Skjoett-Larsen, 2009).

A good example of successful quality/lean implementation program is Honda and Toyota's upgrading of their supplier base in the U.S. As they expanded their U.S. operations, both companies realized that American auto part suppliers were not able to meet the stringent demands that Japanese part suppliers were accustomed to meeting in terms of quality, delivery, and cost. They set up programs that share many similar features (Liker & Choi, 2004). Both firms sent out their engineers and managers to work with suppliers to improve their production methods. They brought supplier personnel into their in-house training programs. They set up associations of suppliers to share ideas and assist each other and collaborate on new initiatives. Honda and Toyota also worked individually with each supplier to set goals for improvement that were realistic and appropriate for each supplier. As the suppliers were given the knowledge and skills to improve and successfully made the changes they came to see that it was a win-win situation for both them and their customers. They became more competitive and profitable because of the improvements in their efficiency and quality while Honda and Toyota benefited by having a better, more reliable supply base.

This approach may hold the same potential to spread CSR throughout a supply chain. It goes well beyond having codes of conduct and audits for suppliers to providing the knowledge and assistance required by the suppliers to make desired changes. A recent study of 519 manufacturing plants in 17 countries found that supplier assessments did not improve the supplier's environmental, social, or economic performance while collaboration

improved performance on all three measures (Gimenez et al., 2012). Another study found that suppliers resist efforts from their customers to impose best CSR practice upon them (Gallear et al., 2012). Firms need to more proactively work with their suppliers as they often lack the resources and CSR consciousness to implement effective CSR programs (Lee & Kim, 2009; Lu et al., 2012). Done properly this approach demonstrates to the suppliers that they will benefit from implementation of the CSR programs by gaining competitiveness. As the auto industry experience in the U.S. has shown, this will not come quickly or easily, however. Companies will need to invest the resources to work with their supply base to first convince them that these CSR programs are not just some new and costly demands being placed upon them, but rather something that will be beneficial to their success in the long run. This will require extensive training and technical assistance to key suppliers to both convince them of the need to be sustainable and to provide them the knowledge and tools to implement the programs. Silvestre (2015) points out the importance of the "focal" or lead firm in the supply chain, in the implementation of sustainability practices. IKEA takes this approach with its global supply chain using a "staircase model" where it attempts to move suppliers through four steps from startup of the program to fulfillment of standards and third-party certification. The company has found that this takes time, effort, and substantial knowledge transfer (Andersen & Skjoett-Larsen, 2009). If this is done well, over time the first tier suppliers can spread the programs in the same fashion to their suppliers thus diffusing the benefits further throughout the supply chain. This process will take years, of course, but will have significant benefits both for the supplier chain partners and the broader society.

There are some special issues that arise in implementing CSR programs in supply chains that will need to be addressed. One is the power imbalance that exists in many supply chains where a very large customer has tremendous market power and often imposes its will on its suppliers (Millington, 2008; Gugler & Shi, 2009; Andersen & Skjoett-Larsen, 2009, Ciliberti et al., 2008). This may even be seen as "moral imperialism" by some suppliers in countries where the standards of business conduct and appropriate practice are quite different (Millington, 2008). This issue has arisen with working conditions for labor in developing countries for limits on the amount of work allowed per day or week. Many multinational codes of conduct limit the total number of hours worked to 60 per week. However, rather than seeing as protecting employees, some employees (and their employers) resent this as infringing their right to work more hours and earn more. One solution to this dilemma is to upgrade the skills and training of the employees so their productivity improves, they can work fewer hours, and their wages can be raised without hurting corporate competitiveness and profitability. This is not a solution a lot of managers in developing countries will immediately embrace so the partnership with multinationals can help to disseminate this knowledge and the methods to make it work. The same challenge often arises with environmental issues where many suppliers will see demands from global companies as unreasonable and costly so assistance will be needed to show them how they can benefit from introducing green programs through cost reduction and increased competitiveness. Working collaboratively with suppliers in a partnership relationship can help to overcome the belief by many suppliers that social and environmental standards are being forced upon them (Gallear et al., 2012; Millington, 2008).

Another issue that arises in supply chains is that small and medium size firms have neither the knowledge nor the resources to effectively introduce sustainability programs (Humphrey & Schmitz, 2001; Spence & Bourlakis, 2009). This will hinder firms attempting to expand their supply base to such firms and particularly to minority and women-owned businesses which typically are small or midsize. The way that the large multinationals can overcome this barrier is to tailor their expectations to the supplier's capabilities, as Toyota and Honda do with their suppliers, and provide enough technical and financial assistance to allow capable suppliers to reach the CSR goals. A "one size fits all" approach to implementing CSR in a supply chain will not work when the suppliers differ greatly in size, resources, and capabilities. Developing supplier associations to provide mutual assistance beyond what the lead company provides also offers potential to assist the small and midsize suppliers. Realistically it will take more time to raise these suppliers to the same CSR standards as the larger suppliers so multinationals must have flexible codes of conduct and auditing practices. If a lead company is not willing to be flexible on their standards it runs the risk of losing diversity in its supply chain as it drops the smaller, often minority-owned, firms (Spence & Bourlakis, 2009).

These challenges are surmountable, and the potential for realizing the dual benefits of improved profitability and societal impact for all the members of the supply chain are huge when one considers the hundreds of suppliers and thousands of stakeholders involved for a global firm. This would appear to be the next stage in the evolution of CSR for global firms. It involves elements of the "transforming" stage of Mirvis & Googins (2006), the "global citizenship" stage of Frederick (2008), the "innovator" stage of Blake (2006), the "citizenship" stage of Costello & Lozano (2009), but is closest in concept to the "Supply Chain Responsibility" stage of Spence &

Bourlakis (2009) because of the importance of its supply chain in this MNE. Spence & Bourlakis see the SCR phase as more an aspirational goal for most companies, and that is apparently the way that this firm sees it as well. The company is developing programs to move toward that goal at the present time.

4. Conclusions

A case study was used of a large MNE in the electronics industry to see how a company becomes involved in CSR activities and develops these activities as its sustainability consciousness grows. This firm embarked upon its CSR journey in the same manner as other firms, in response to demands from its stakeholders to take environmental and strategic issues into consideration in its global operations. The firm's efforts at this stage were primarily focused on reporting what the firm was doing in terms of CSR. As programs began to be developed to improve CSR performance, operational personnel became involved in order to formulate codes of conduct for suppliers and to develop products that were environmentally friendly. Engagement of employees spread and deepened as the CSR programs gained traction in the firm, and managers began to view CSR as a win-win for the company and its stakeholders. The company is expanding their CSR programs and attempting to embed CSR thinking into all employees and into the corporate culture and strategy. A major focus of the firm's current CSR strategy is to move beyond a "code of conduct/audit model" of supply chain CSR to one of assisting suppliers in implementing CSR in their own operations and supply chains so that it is viewed as a win-win situation for them. To accomplish this, the firm realizes that it will need to invest in training and technical assistance and collaborate with its supply chain to develop the capabilities and commitment of its suppliers. This is seen as a long term project, but one that has potential to spread CSR well beyond the firm itself and provide significant benefits to the firm's many suppliers and their stakeholders.

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