

## Chapter 43

# CSR for Retailers' Led Channel Relationships: Evidence from Italian SME Manufacturers

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### ABSTRACT

*This paper analyses the adoption of Corporate Social Responsibility (CSR) policies by small and medium manufacturers which are involved in supplying relationships with large retailers. The purpose of the paper is to examine CSR drivers within large retailers' supply chains. A quantitative empirical research was conducted focusing on the food sector, as a sector in which traceability, supplier's coordination and control are critical to the supply chain. Data collection was performed through a questionnaire addressed to 89 Italian SME manufacturers to explore the main factors influencing the adoption of CSR and the level of formalization of the related policies. Findings revealed the key role of large retailers for the establishment of a sustainable/ethical supply chain. An attenuation of the hierarchic/conflictual perspective in buyer-seller relationships emerged, with a reduction of margin-compression effects for smaller suppliers as a consequence of power imbalances. A relevant consequence of CSR is a relationship development model in which all the involved subjects can benefit, including smaller partners inside the supply chains.*

### INTRODUCTION

The global economic development has increased firms' opportunities to achieve their economic goals but at the same time the emergence of global issues (environment, human rights, energy, etc.) has encouraged an endogenous response from society, with the rise of new needs, among

which there is the need of more transparency in production processes and supply chain operations (Dagnoli, 1991; Shaw & Clarke, 1999; Shaw & Shui, 2003; Maignan & Ferrel, 2004).

Today, aware consumers are not only interested in new products, but they also require more information about manufacturers, labor conditions under which products are assembled, and how

DOI: 10.4018/978-1-4666-6433-3.ch043

production systems impact the environment and economic growth of the local communities along the entire supply chain (Shaw & Clarke, 1998, Harrison, Newholm, & Shaw, 2005).

As consumers are increasingly showing a preference for companies that demonstrate Corporate Social Responsibility (CSR) (Xu, Walker, Nairn, & Johnsen, 2007), they are also more aware of product evaluations (Macchiette & Roy, 1994; Hemingway & MacLagan, 2004) and their motivations are increasingly related to the need of personal and social benefits (Freestone & McGoldrick, 2008). Therefore, companies are devoting substantial resources to various social and ethical initiatives, by developing methodologies and tools linked to CSR (Du, Bhattacharya, & Sankar, 2010).

There is now general agreement on the growing importance of CSR in all economic sectors, including retailing. In this sector, larger companies are making relevant investments to cope with consumers' ethical needs (Whysall, 2000; Jones, Comfort, & Eastwood, 2005). They started to offer ethical products, and thereby, consolidate their approach to CSR through assortments related to sustainable development, fairness, and the distribution of value among all subjects within the supply chain.

Due to the leadership within the channel they belong to, retailers can control various activities in the supply chain. As a result, they appear more capable to play an active role for the adoption of CSR policies in the supply chain, even at the international level.

The purpose of this article is to offer an overview of the main drivers of CSR initiatives in which large retailers are leaders. A suppliers' perspective was adopted in the analysis of the large retailers' role, by considering the point of view of small-medium enterprises (SMEs) in the food sector.

Literature on main strategies and policies adopted by large retailers in managing CSR issues within channel relationships was considered

(Arbuthnot, 1997; Dickerson & Dalecki, 1991; Musso, 1999; Piacentini, MacFadyen, & Eadie, 2000; Carter, 2000; Jones et al., 2005; Pepe, Musso, & Risso, 2010; Talaulicar, 2009; Lee, Fairhurst, & Wesley, 2009). Then, a quantitative survey was conducted, focusing on the grade of diffusion of CSR practices among SME manufacturers and the main factors influencing retailer-suppliers relationships within a retailer's CSR approach.

## **CSR AND RETAILERS' LED INTERNATIONAL SUPPLY CHAINS**

Nowadays, CSR increasingly receives attention from managers and researchers as an emerging field of competition among companies. According to Lee et al. (2009) "CSR involves the integration of environmental, social and economic considerations into an organization's corporate culture and strategy formulation" (p. 141). For companies, this means responsibility to consumers, versus that of its shareholders, with the latter also related to the maximization of profit and assets.

At the theoretical level, corporate ethics and corporate responsibilities have been the subject of several studies. Some of them analyzed the importance of ethics in the purchasing and selling activities of industrial companies (Redelius & Bucholz, 1979; Dubinsky & Gwinn, 1981; Trawick, Swan, & Rink, 1988; Wood, 1995). However, few studies explored the importance of ethics in the buyer-seller relationships of retailing companies (Dickerson & Dalecki, 1991; Arbuthnot, 1997; Musso, 1999).

In recent times, the concept of business ethics has enlarged its boundaries, entering the wider realm of CSR and sustainable development. Indeed, the expression "sustainable development" integrates the three dimensions of the problem: The safeguarding of the environment, the respect for human rights, and the fairness in the redistribution of value among all subjects of the supply chain.

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