

CSR requirements in the supply chain: The case of Catalan SMEs

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Introduction

- CSR refers not only to responsible behavior within the organization itself but also to ensuring proper social and environmental conditions throughout the supply chain.
- “There is a need for more research regarding the nature, extent and real impact of CSR buyer requirements on SME suppliers, and into when and how SMEs themselves make CSR requirements on their suppliers.” (European Commission 2007)



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Aim of the study

- Develop understanding on the role of SMEs in relation to responsible supply chain management, by examining
 - the way in which SMEs handle social and environmental requirements from customers, and
 - the extent to which SMEs pass on such requirements to their own suppliers.



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Hypotheses (i)

- **Customer typology:** Large business customers and public authorities seem to be more powerful to request certain CSR practices from their suppliers than smaller businesses.
 - *Hypothesis 1a: SMEs will be more likely asked to comply with CSR requirements by large companies and public authorities than by their SME customers.*
 - *Hypothesis 1b: Large companies and public authorities will ask for compliance with CSR requirements to their SME suppliers in a larger extent than SME customers.*



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Hypotheses (ii)

- **Supplier typology:** Large business suppliers generally seem to have more resources and competences to respond to CSR demands than smaller businesses.
 - *Hypothesis 2a: SME buyers will be more likely to ask for compliance with CSR requirements to their large business suppliers than to their SME suppliers.*
 - *Hypothesis 2b: SME buyers will demand compliance with CSR requirements to their large business suppliers in a larger extent than to their SME suppliers.*



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Hypotheses (iii)

- **Diffusion of CSR requirements in the value chain:** The presence of CSR requirements from buyers seems to be a precondition for the diffusion of CSR requirements to supplier.
 - *Hypothesis 3: The more CSR requirements the SME receives from its customers, the more CSR requirements it asks to its suppliers.*

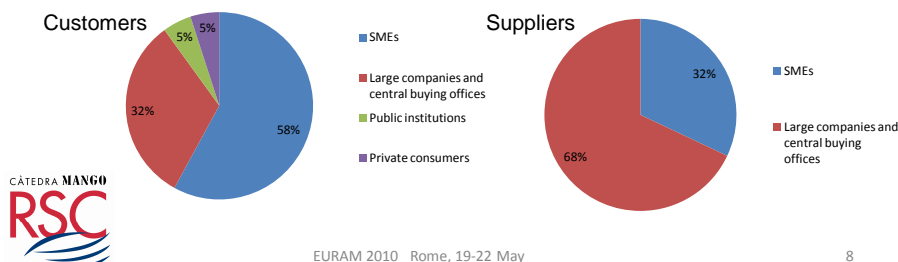


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Methodology (i)

- **Data collection:** Telephone survey among a representative sample of SMEs located in Catalonia (Spain) during March to May 2009
- **Final sample:** 410 companies with 10-199 employees pertaining to 4 broad business sectors (transport and service, commerce and hospitality, industry and construction)



Methodology (ii)

- **Questionnaire:** CSR requirements in the relationship with customers and suppliers → differentiation of **five areas** (environment, health and safety, labor rights, human rights and corruption) and distinction of **three demand levels** (communication, formalization, verification)
- **Measures:** a) number of companies that have received or made at least one CSR request in any of the areas considered in the study (**dichotomous variable**), b) average number of CSR requests per customer or supplier (**numerical variable**).



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Methodology (iii)

- **Analysis:**
 - **Hypothesis 1a and 2a:** Comparison of proportions of SMEs that have received/made CSR requests with those that have not received/made any request, by customer/supplier type
 - **Hypothesis 1b and 2b:** Repeated measures ANOVA on the number of requests received/made by SMEs per customer/supplier
 - **Hypothesis 3:** Correlations between the number of customers applying CSR requirement to SMEs and the number of suppliers to which SMEs apply CSR requirements, correlation between the intensity of CSR requirements imposed by customers and demanded to suppliers



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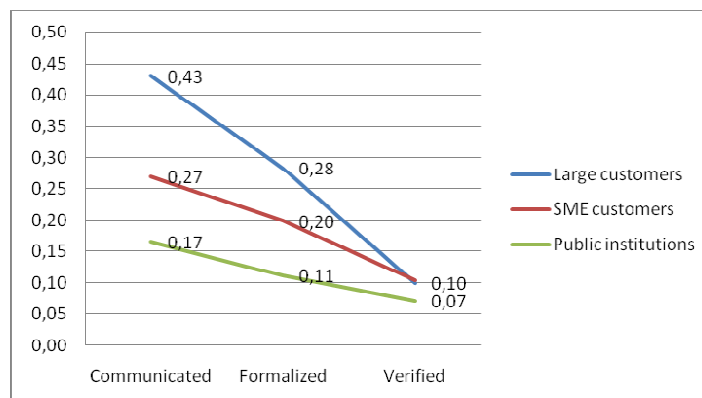
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Results (i)

- **Hypothesis 1a (✓)** supported for large suppliers but not for public authorities
- **Hypothesis 1b (✓)** supported for large suppliers but not for public authorities; sector has a marginally significant effect on the number of requests imposed by customer
- **Hypothesis 2a ✗** not supported
- **Hypothesis 2b ✗** not supported; sector has a significant effect on the number of requests imposed to suppliers
- **Hypothesis 3 ✓** supported

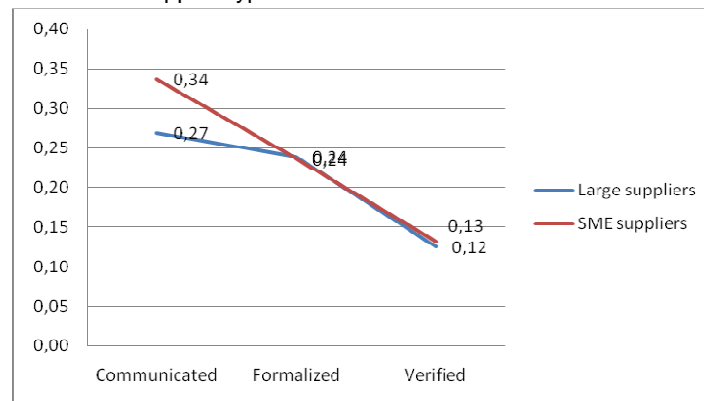
Results (ii)

Average number of customer requests for each demand level and customer type



Results (iii)

Average number of supplier requests for each demand level and supplier type



Limitations

- **Measures:** respondents' difficulties for distinguishing three demand levels; consideration of numbers of customers/suppliers but not their importance (i.e. sales/orders)
- **Other influencing variables:** detailed business sector, supplier company country, position in the supply chain
- **Analysis:** inherent problems like interpretation of "no responses"

Conclusions

- Customer typology matters regarding size (large businesses demand more CSR requirements than small businesses) and type (*Spanish* public authorities demand less CSR requirements than private businesses)
- Supplier size doesn't matter
- Diffusion of CSR requirements from customers to suppliers works
- Extent of CSR requirements depends on business sector