

Sustainability Assessment: A Pathway for Reducing Audit Fatigue?

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I have been reluctant to write this section of my thesis for many reasons. Perhaps the reason it is the last thing I will tackle in this document is because of the time consuming nature of thanking everyone who helped me get to this point. These acknowledgments are taking place long after graduation, past the revisions due date and once all other editing aspects have taken place. The benefit of doing so has allowed me to accurately reflect upon the amazing journey this masters program has been and allowed me to realise how fortunate I have been to be included in such a special group of people.

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To Batch 17 aka BBE,

One of the most important reasons I have been reluctant to write this aspect of my thesis is because mentally I am not ready to put the proverbial nail in the coffin to our time here in Lund. This represents far more than words on a page. In a book by Maya Angelou (1969) entitled "I Know Why the Caged Bird Signs", she wrote, "words mean more than what is set down on paper. It takes the human voice to infuse them with shades of deeper meaning". In absence of all of us being able to voice what this year has meant to anyone who may read this, Arsenault (2012) offers a solution. As he put it so eloquently in his speech at graduation, that (one) could write an epic novel with 26 chapters, a chapter devoted to each individual classmate, with 2 bonus Argentine chapters and 2 Italian appendices, that it still might not be ready for publishing by the time Batch 42 arrives in Lund, and it still would not accurately reflect what we have experienced. This represents a lifetime lived in a span of less than 365 days. I am sure all members of Batch 17 reflect this sentiment and you need only to speak with one of us to get an understanding of what I mean. For me personally it has been one of the most rewarding and challenging experiences of my life. Getting to know each and everyone of you, your stories, your experiences and your personalities has reached far beyond my expectations. To the teaching staff at the IIIIEE, nowhere have we ever been pushed to reach our potential as we have within and outside the walls of "The Tute". Tegnérsplatsen 4, in Lund will always be a second home to me. To Håkan Rodhe, thank you for believing in my inclusion in this program, challenging me to achieve what I thought was impossible and

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Abstract

Due to concerns from a wide variety of stakeholders social and environmental performance throughout the supply chain has become very important. Global corporations have a plethora of choices of how to structure and communicate their sustainability work in the supply chain. The objective of this research is to investigate how audit and monitoring frameworks attempt to increase transparency, improve social and environmental performance and reduce inefficiencies of audit fatigue. Using two organisations as case studies, Sedex and the GSCP, best practices framework from sustainable supply chain management theory will be used to compare how these organisations operate in relation to how academics suggest sustainability issues in the supply chain should be addressed. To supplement these findings, interviews were conducted with stakeholders involved in these schemes to gain insight into how effective these organisations are in reality and whether or not they have succeeded improving social and environmental performance, reducing inefficiencies of audit fatigue and if they can achieve transparency in the reporting process.

Key words: Sustainability Assessment, Audit Fatigue, Sustainable Supply Chain Management, Corporate Social Responsibility.

Executive summary

Globalization continues to make the world a smaller place. With highly developed systems of transporting people and goods from one place to another, the elements that make a product can be sourced from many different places. Businesses around the world have adapted to a global market and to remain competitive have developed flexible production methods that involve a large number of suppliers and service producers (Levy, 1997). With the rise in awareness from consumers, and other salient stakeholders coupled with advanced tools and technology available for knowledge gathering, MNEs must not only deal with issues of quality, but also the conditions under which their product inputs are being produced with regards to the social and environmental impacts that are generated throughout the product life cycle (Mamic, 2005).

The actual lack of strong legislation, or lack of compliance with local regulation, in some jurisdictions and more importantly the lack of adherence to current standards put upon suppliers increase the risk for MNEs being associated with unethical practices environmentally or socially. To deal with this many MNEs have taken the initiative of implementing a code of conduct for their suppliers. Many suppliers around the world face different codes of conduct for every company they supply materials or services to, there is the potential that suppliers become paralyzed by the audit process itself with little time to focus on necessary improvements. Audit fatigue, compliance verification, and audit efficiency are all challenges that many MNEs are currently facing as well as communicating these efforts in a transparent way.

Global corporations have a plethora of choices of how to structure and communicate their sustainability work in the supply chain. Auditing and monitoring frameworks, social reporting and codes of conduct are some of the approaches used to accomplish this today with varying perceptions of trust involved in these methods. However, routinely policing and verifying the magnitude of relationships in an international supply chain is simply not possible and audit fatigue and transparency of the process plagues most industries today. Harmonizing codes of conduct of different MNEs through the use of a third party sustainable assessment scheme may provide mutual recognition of audits as a way to reduce the number of audits through industry collaboration and instill trust in this process. The research sought to discover the methods available to communicate supply chain work and assess their performance in achieving their stated aims.

Using two organisations, the Global Social Compliance Programme (GSCP) and the Social Ethical Data Exchange (SEDEX) as case studies, an overview of how organisations operate in relation to how sustainable supply chain management theory suggest issues in social and environmental performance be addressed was conducted. To supplement this analysis interviews were conducted with stakeholders involved in these initiatives that uncovered the benefits, challenges and experiences companies have had since becoming members.

With regards to how the two initiatives operate based on a literature review of their websites and a comparison with the best practices in sustainable supply chain management framework, it was observed that the core elements are generally followed. Although both initiatives do not exemplify perfection with regards to the framework used for analysis, if they were operating together they get quite close. However this is only how the initiatives claim to approach the issue but says nothing about how these schemes operate in real world.

Through interviews with stakeholders that are members of one of the schemes it was discovered that the benefits of being involved in these schemes centered around the services

offered, the harmonized approach to standards setting allowing for future gains in mutual recognition of audits, experience and knowledge sharing of a large group of members and the structured way in which these organisations conduct their work in supply chains. Another benefit mentioned was the focus on providing best practice examples of remediation success largely thought of as the best way to promote organisational learning.

The noted drawbacks of the initiatives are that they do not provide a certification or quality stamp of the audits that are conducted and used for sharing purposes and the effort and time that organisations must commit to being involved in the initiatives. When attempting to uncover whether or not these organisations have successfully improved sustainability performance in the supply chain, reduced audit fatigue or provided transparency to stakeholders in this process remained an elusive goal. It was revealed that only one company could report that the initiative had an effect in these categories. It was also revealed that there is a lack of metrics used today in industry to track performance of suppliers over time. The possible reasons for this are the many external factors that could influence an organisation's commitments to auditing for compliance such as an increase in supplier numbers or change of management goals that can and often do change from year to year. Rarely do companies track this information to a level where the benefits of joining a scheme focused in sustainability improvements in the supply can be quantified in a reliable manner.

Future research could be beneficial in attempting to try and quantify the results of these initiatives. This would have a beneficial element to a number of large companies trying to justify membership in a sustainability assessment scheme. Also further research into the benefits and drawbacks of other methods of sustainability assessment should be analysed to reveal if they coincide with the literature recommendation and can reveal an effect on the stated problem. Finally more research into whether or not sustainability assessment schemes such as monitoring and auditing frameworks are the best way to deal with the audit fatigue and transparency problem in supply chains today or whether another solution could emerge would be an interesting undertaking.

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Abbreviations

AAG	Associate Audit Group
BSCI	Business Social Compliance Initiative
BPG	Best Practice Guide
BSR	Business for Social Responsibility
CoC	Code of Conduct
CSCMP	Council of Supply Chain Management Professionals
CSR	Corporate Social Responsibility
ETI	Ethical Trading Initiative
FLA	Fair Labour Association
GEMI	Global environmental management initiative
GRI	Global Reporting Initiative
GSCP	Global Social Compliance Programme
ICTI	International Council of Toy Industries
ILO	International Labour Organisation
ISO	International Standards Organisations
KPI	Key Performance Indicator
MNEs	Multi-National Enterprises
NBS	Network for Business Sustainability
NGO	Non-Governmental Organisation
SA 8000	Social Accountability International
SCM	Supply Chain Management
SEDEX	The Supplier Ethical Data Exchange
SMETA	SEDEX Members Ethical Trade Audit
SSCM	Sustainable Supply Chain Management
SR	Social Reporting
UN	United Nations
UNEP	United Nations Environment Programme
WBCSD	World Business Council for Sustainable Development
WRAP	Worldwide Responsible Accredited Production

1 Introduction

Globalization continues to make the world a smaller place. With highly developed systems of transporting people and goods from one place to another, the elements that make a product can be sourced from many different places. Businesses around the world have adapted to a global market and to remain competitive have developed flexible production methods that involve a large number of suppliers and service producers (Levy, 1997). For large Multi-National Enterprises (MNEs), suppliers can be scattered throughout the globe adding complexity to relationship between buyer and seller. Suppliers are often times located in developing countries where labour and operation costs are much lower, allowing companies to offer more competitive prices in the market. In modern supply chains, quality and cost remain to be of great concern to MNEs but not the only issues they must manage. With the rise in awareness from consumers, and other salient stakeholders coupled with advanced tools and technology available for knowledge gathering, MNEs must not only deal with issues of quality, but also the conditions under which their product inputs are being produced with regards to the social and environmental impacts that are generated throughout the product life cycle (Mamic, 2005).

Due to concerns from a wide variety of stakeholders including; academics, consumers, activists, investors, policy makers and others, issues such as labour conditions, social performance and environmental performance throughout the supply chain has become of utmost importance. The actual lack of strong legislation, or lack of compliance with local regulation, in some jurisdictions and more importantly the lack of adherence to current standards put upon suppliers increase the risk for MNEs being associated with unethical practices environmentally or socially. To deal with this many MNEs have taken the initiative of implementing a code of conduct for their suppliers. For some industries it is an established way of attempting to green the supply chain while for other industries it is a relatively new phenomenon. Regardless of how established the practice is within the industry, compliance to codes of conduct still remains a problematic issue. These codes of conduct typically cover child labour, forced labour, wages and benefits, working hours, provision for bribery, the right to freedom of association, health and safety, and environmental practices.

Today, there remains a number of ways in which these codes of conduct are developed and used. Some are developed based on a set standard such as the UN Global Compact, while others are developed from within the company. These standards are generally comparable across companies while some differences remain as to the specific details of the codes of conduct and how thorough they are covering all the important issues. The remaining challenge for MNEs is to ensure that their suppliers are adhering to the codes of conduct (CoC) that are put upon them. Internationally, auditing potentially thousands of first tier suppliers becomes a burdensome task from the company perspective, resulting in an inefficient use of company resources. One potential way to increase efficiency of the audit process is to harmonize CoC standards across different sustainability audit schemes as a way to promote mutual recognition of audits through 3rd party institutions that promote data sharing amongst MNEs. Many suppliers face different codes of conduct for every company they supply materials or services to, there is the potential that suppliers become paralyzed by the audit process itself with little time to focus on necessary improvements. Audit fatigue, compliance verification, and audit efficiency are all challenges that many MNEs are currently facing. Solving the audit fatigue problem through harmonized approaches to standards could provide benefits such as capacity building activities, speeding up general understanding and acceptance for sustainability requirements throughout the supply chain.

A number of initiatives exist today that seek to provide ways to deal with these specific challenges through different approaches. The purpose of this paper is to explore and analyse current schemes and initiatives that seek to reduce costs of auditing, and audit fatigue, through different types of collaborative approaches where buyers share data and costs. By collecting and analysing the experiences of different stakeholders under these initiatives, describing how they work but also the relative strengths and weaknesses in relation to established theory in supply chain management, the result of this research project will be a valuable decision making tool for MNEs that face this problematic issue. The established supply chain management theory will provide a basis for analysis of the schemes in reality and whether these schemes actually address and solve the issues that are currently seen as problematic or critical.

1.1 Problem definition

Today's products can contain a number of materials from various parts of the world. The components can be mined in Nigeria, put together in China and sold in England with many steps in between. When looking at large MNEs with thousands of products, the network of suppliers providing material inputs gets even more complicated. Potentially MNEs could have as many as 90,000 first tier suppliers, as in the case of Siemens that evolves into a very complex web of buyer seller relationships. Continually keeping track of the environmental and social performance of each supplier quickly becomes a very daunting task with a number of ways to assess and communicate it.

Self-assessments of suppliers, internal audits and external audits are some of the ways this task is accomplished today with varying perceptions of trust involved in these methods. However, routinely policing this magnitude of relationships is simply not possible and audit fatigue plagues most industries today. This subjects large MNEs to significant risk if it is discovered that suppliers are not compliant with the company's stated code of conduct. It also is a very inefficient use of resources to continually audit a large number of suppliers with very high costs to execute them on this type of scale.

To further complicate these issues, many large MNEs, all with slightly different codes of conduct, are in pursuit of the same goal; transparent and ethical supply chains. This has led to a situation of different MNEs conducting audits on the same suppliers within an industry. This has shifted the focus from suppliers being able to execute environmental and social performance improvements to continually managing the audit process for different MNEs. Harmonizing codes of conduct of different MNEs through the use of a 3rd party sustainable assessment scheme may provide mutual recognition of audits as a way to reduce the number of audits through industry collaboration and instill trust in this process. By analysing two forms of this emerging trend, the Global Social Compliance Programme (GSCP) and the Social Ethical Data Exchange (SEDEX), the key problems, challenges and opportunities can be identified for future consideration of other industrial sectors.

1.2 Objectives and Research questions

There are many ways in which large MNEs can choose to address the issue of sustainability in their diverse and extensive supply chains. There also exists many ways to engage stakeholders in the reporting of sustainability performance throughout global supply chains. The process in which sustainability assessment schemes are designed to address a vast number of supply chain issues will be analysed against current supply chain theory. The objective of this paper is an attempt at describing the current methods of sustainability assessment in the supply chain field while focusing on describing the remaining practical challenges associated with attempting to address audit fatigue and increase sustainability performance through sustainability assessment schemes. Through the lens of supply chain management theory the

degree to which third party initiatives focused on sharing common supplier data within an industry could lead to improved transparency in the audit process, increasing the acceptance and general understanding of sustainability requirements throughout the supply chain can be measured. The main objective of this thesis is to first understand the sustainability assessment landscape and its challenges and secondly to understand the value of third party sustainability assessment schemes in reducing audit fatigue, improving sustainability performance and improving transparency in this process.

By analysing how third party sustainability assessment schemes structure the system to provide solutions to the issues of audit fatigue in relation to supply chain theory and how they evaluate progress of achieving their stated goals of improving social and environmental sustainability throughout supply chains is intended to fulfill these main objectives. A final objective of this research is to provide information concerning the future development of such systems.

In order to address the objectives, the following research questions have been developed:

1. How is the sustainability assessment landscape structured to address social and environmental performance in supply chains?
2. How are the current sustainability assessment schemes GSCP and SEDEX structured to deliver improvements in social and environmental performance, what are the key benefits and drawback of these systems experienced by different stakeholders involved or affected by these schemes in relation to supply chain management theory?
3. Can experiences of other third party sustainability assessment schemes reveal an effect on reducing audit fatigue, compliance levels and increased transparency of audits for MNEs?

1.3 Method

The research methodology used in this thesis is of qualitative nature. The three main components of this research involve a literature review, followed first, by interviews with Simens AG, a large MNE working towards transparency in the supply chain and audit fatigue reduction and DEKRA, a large consultancy firm working toward the same ends. Finally conducting two in-depth case studies of established third party NGOs with the explicit purpose of reducing audit fatigue and improving sustainability throughout the supply chain in various industries as well as promoting transparency in the process of reporting. The purpose of the literature review is to obtain an overview of the topic and to investigate previous research conducted in this area. The purpose of the discussions conducted with Siemens and DEKRA, is to understand how they perceive the current initiatives available to address the audit fatigue issue and to discover how they are currently working with sustainability requirements they put on their supply base. The outcome of the discussions resulted in framing a structure in which to conduct this research. Two in-depth case studies of established NGO initiatives, created to improve sustainability throughout the supply chain are then analysed to uncover their progress in accomplishing this end goal. These case studies will provide the main body of primary data.

The research will be conducted through analysis using an inductive process. Contrasting the 'top down' approach of deductive research that starts with general theory, a hypothesis and moves towards specific conclusions based on available facts. This inductive qualitative process is a 'bottom up' approach that moves from the study of specific observations to broader

generalizations and theories. According to Thomas (2006), its purpose is to establish clear links between the research objectives and the summary findings derived from the raw data and to ensure these links are both transparent (able to be demonstrated to others) and defensible (justifiable given the objectives of the research).

1.3.1 Research Logic

Addressing RQ 1

How is the sustainability assessment landscape structured to address social and environmental performance in supply chains? In order to understand the options available to companies currently working to improve sustainability throughout supply chains, it is important to obtain an understanding of the problems they are currently experiencing with their supply base meeting their sustainability requirements and how they perceive the initiatives currently available to them to overcome these issues. It is important to uncover the advantages and disadvantages of being involved with third party sustainability assessment schemes and their opinion of the different methods to achieve transparency.

The approach to uncovering this information in this research is to conduct semi structured interviews with Siemens and DEKRA that are currently working to reduce audit fatigue, increase transparency of sustainability assessment and improve social and environmental performance in the supply chain but also to conduct interviews with large companies with a multi national supply base that have experience working with third party NGOs aimed at achieving these ends. In addition company documents will be reviewed, as well as academic literature will be reviewed.

Addressing RQ 2

What type of services do NGO initiatives deliver and how? It is important to understand the structure of the organisation including, how decisions are made with regards to the pre determined criteria for suppliers, the amount of influence members have, how they provide access to members, the safe guards built in to prevent free riding and what issues the NGO intends to solve. It is also important to uncover NGO experiences of challenges that arise when seeking to establish platforms for sharing audits. Finally it is important to identify the critical success factors that enabled these organisations to provide a system of data sharing that can also enable transparency in the audit process.

Addressing RQ 3

Do third party NGOs reduce audit fatigue and increase transparency in the supplier audit process? It is important to discover if these organisations drive improvement from a sustainability point of view. How these organisations evaluate and track performance is of key interest. It is also of interest to discover how the audit verification process is managed and by whom.

To address RQ2 and RQ3 the same research approach will be taken. Semi structured interviews from a multi stakeholder perspective will be conducted. Interviewing personnel from these organisations with knowledge of buyer and seller relationships is critical. From the buyer perspective it is important to contact personnel that have a history of working with this arrangement and how they deliver results to their constituents. From the sellers perspective it is important to discover how and who feeds in information to the data sharing system. Throughout this process it will be important to see how these initiatives have changed over time and whether or not there is a discussion surrounding movement towards harmonization of standards that are inclusive to a diverse array of industries. Finally, how NGO documentation compares with the theory of supply chain management will be reviewed.

1.3.2 The Case Study Approach

Following a literature review of sustainability assessment options for organisations working with supply chain issues and a literature review of how supply change management theory recommends structuring these issues, two in depth comparative studies will be conducted. These two cases, Sedex and the GSCP, will be compared to each other as well as compared to established theory in the supply chain field. The cases will involve interviews with the two organisations as well as relevant users of the schemes. The literature review in this area will provide a reference point for the case study as well as a general overview of relevant concepts. This will also establish an overview of previous research conducted in this field and the analytical framework used is an outcome of extensive literature review conducted by the Network for Business Sustainability consisting of respected authors in the sustainable supply chain management field.

The organisations studied are structured slightly differently and provides a different perspective on how sustainability in the supply chain can be addressed and communicated. Although this research is conducted through these two initiative perspectives, the fundamental elements of the problem apply to many organisations looking to join similar initiatives with the same goals.

The idea of the case study approach is to allow for a detailed understanding of the reality of the challenges and how to structure environmental and social protection throughout supply chains. The case study as a method is useful when exploring and understanding the characteristics of events and managerial processes within organisations. Sedex was chosen as a case due to the large and established nature of this organisation with a long history of working with ethical sourcing. GSCP was chosen as a case due to the scope and ambitions in tackling sustainability in the supply chain. The GSCP is a relatively new initiative that has yet to be completed and provides an interesting perspective on supply chain issues through its best practices approach. Since the GSCP has a collection of experts working from a number of different schemes it is a logical choice when attempting to uncover the broader themes and challenges faced in sustainable supply chain management. Both cases are corporate and consumer driven with a focus on multi-stakeholder involvement.

1.3.3 Data Collection and Analysis

Primary Data

Primary data has been collected through semi-structured interviews with the organisations as well as companies working closely with both initiatives. As the initiatives are global organisations, a selection of interviews from companies in Europe and North America was gathered to collect different perspectives. The people chosen to interview were working closely with the development of GSCP criteria or were managing the relationship with the initiative. Interviews with researchers involved in the field of sustainability in the supply chain have also been conducted.

The data collected was largely obtained through one person within each company willing to participate. They were contacted to discuss their experience with either the GSCP or SEDEX. The information collected should be treated with caution, as multiple experiences with different perspectives from the same corporation were not attainable. In addition direct contact with Sedex was not permitted due to lack of resources and high volume of requests for information. Interviewing suppliers reporting to each initiative were also not possible and therefore instead of a complete picture of the challenges associated with these initiatives they are largely viewed through a corporate perspective.

Secondary Data

Secondary data has been collected from literature including, books, articles, research and conference papers and public reports from industry organisations, research institutes and public authorities. Sources of information include the Lund University library directory Summon that includes access to EBSCOhost and SciVerse Hub research databases. Google Scholar portal and the public Internet were also used. The strategy for information gathering consisted of advanced word searches where relevant key words such as, sustainable supply chains, audit fatigue, sustainability assessment, among others were used. The technique of snow balling was also used where references from one article lead to the discovery of new sources.

Analysis

The analysis of data collected from the literature review and interviews will be based on a framework developed by the Network for Business Sustainability (NBS) that was formulated on the basis of an extensive review of international supply chain literature. This framework provides the researching group’s insight into the best practices pertaining to sustainable supply chain management from literature over the past 25 years.

1.3.4 Interview Design

The interviews conducted for the case studies were semi-structured allowing contacts to elaborate and speak freely for a large portion of the time. The interviews conducted lasted between 20 and 40 minutes and all were conducted in English over the telephone.

Prior to the interview the contacts were emailed background information on the topic as well as key themes related to the research and a set of questions as a guide to the type of information desired. This outline can be found in Appendix E. The questions posed were a mix of specific, fact oriented questions while others were open-ended allowing for the interviewee to elaborate on key themes. The exact order was not particularly followed, as in semi-structured interviews the exact wording and use of questions were dependent on the response to previous questions. Table 1-1 lists the interview contacts by name, position, company and organisation they are involved in.

Table 1-1– Overview of interview contacts.

Name	Position	Company	Organisation
Greg Priest	Head of Compliance & Monitoring, Social & Environmental Affairs	IKEA	GSCP
Lena Bergendahl	Manager Environmental & Social Responsibility	ICA	GSCP
Karin Bogaers	Advisor Product Integrity	Royal Ahold	GSCP
Hamlin Metzger	Sustainability Manager	Best Buy	GSCP
Maria Ollas	Risk Manager - Group Procurement	Carlsberg	SEDEX

David Smith	Vice-President of Retail Strategy and Sustainability	Sobey's Inc.	GSCP
Mara Milanesi	Communication & Outreach Manager	GSCP	GSCP
Adrian Henriques	UK expert NGO representative ISO 26000, Professor	Middlesex University	-
Jennifer Cooper	Business Line Manager	DEKRA	-
David Sanne	Corporate Supply Chain Management Programmes and Systems	Siemens AG	-

1.4 Limitation and scope

In order to scope the project to a manageable size only two large NGOs will be analysed. Although there are others that operate on different levels around the world it is necessary to focus attention on the more established global organisations considering that sector specific initiatives could be less useful for the average organisation. In addition it is desired to discuss experiences with these NGOs with an expert that has knowledge of both sides of the issue, the buyer and seller perspective. It is important to identify key people who have worked on the supply side, having been audited and on the MNE side, conducting the audits. It is expected that it will be far easier to contact people of this nature rather than contacting specific suppliers to identify their experiences with third party NGOs.

It is also a probable limitation that it may be difficult to conduct enough interviews to be able to justify conclusions and insights into the topic. This is highly dependent on the availability of connecting with people inside very large organisations where contact information is limited and their willingness to participate is not guaranteed. Another limitation concerns the amount of information that the contacts will be able to disclose with regards to their current supply chain work and their work with these NGOs. It is imagined that although they will be able to speak on generalities with their involvement in these schemes, getting a candid opinion of them might be difficult to obtain. This also touches on the issue of bias with regard to the system the organisation has chosen to be a part of.

The intended audience of this research is practitioners and researchers within the field of strategic corporate environmental and social work with a focus on supply chain related issues, interested in the real-life experiences of addressing these issues through international assessment schemes.

1.5 Disposition

Chapter 2 Provides the contextual background and prior knowledge in the field of sustainability assessment and sustainable supply chain management throughout current literature. The selected theoretical framework used for the analysis is described.

Chapter 3 Introduces the NGOs, Sedex and GSCP, their aims, goals and description of their operating context. This is a theoretical description of how these organisations are

designed and structured to achieve improvements in sustainability performance throughout supply chains.

- Chapter 4* Presents the comparison of the theoretical aims of the NGOs stated in their literature to the framework suggested by sustainable supply chain management researchers. In addition data relevant to address the research questions is presented.
- Chapter 5* Presents a discussion where the methodology is reviewed and choice of analytical framework is examined. The chapter includes reflections on the research questions and whether NGOs are the best way to achieve sustainability improvements in the supply chain.
- Chapter 6* Referring to the initial research questions, the findings are concluded. Final reflections related to the overall purpose of the study and suggestions for further research are provided.

2 Literature Overview

This chapter covers findings from the review of current literature. It first begins with defining the concept of corporate social responsibility and the role of life cycle thinking has played in influencing corporate actions with regard to improving social and environmental performance. The next section explains the current social sustainability assessment methods that exist in the sustainability field. The following section explains the conceptual background and provides an overview of where within the operational business context the issues under study belong. Also a relevant explanation of supply chain management theory and approaches designed to improve sustainable performance within the field is examined. The literature review concludes with a description of the analytical framework used to compare the NGOs operational platforms.

2.1 Conceptual Background

2.1.1 Corporate Social Responsibility

At the core of every business there is the expectation that they create value for the owners, stakeholders, shareholders and society in general. Coupled with this value creation there is the expectation in modern society that there is a larger responsibility associated with businesses, commonly named Corporate Social Responsibility (CSR) (Sustainability Consortium, 2010). CSR remains a difficult term to define without much consensus due to the broad set of initiatives and techniques that comprise the field of study. As there is no agreed upon definition of CSR in the international community the United Nation Environmental Programme (UNEP) in their Guidelines for Social Life Cycle Assessment of Products points to the most cited definitions of the topic. The most cited definition in use today has evolved from the European Commission, “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EU Communications, 2006). Another frequently used definition of CSR comes from the World Business Council for Sustainable Development, which states, “Corporate social responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large” (World Business Council for Sustainable Development, 2000). The reasons highlighted by UNEP for the lack of consensus on one definition concerns the idea of legal accountability, or in other words, should CSR be voluntary or not and also state the problem stemming from the regional differences of the interpretations of its content (UNEP, 2009).

The UNEP Guidelines for Social Life Cycle Assessment of Products does comment on international trends, which states that there is a general support for the inclusion of reference to international human rights of workers, the importance of companies to consider and engage with multiple stakeholders and the inclusion of environmental aspects in defining CSR combined with economic aspects (UNEP, 2009).

Scholars also recognize the difficulty in defining CSR citing the same issues mentioned by UNEP. Blowfield & Frynas (2005) argue that the definition has become so broad that people interpret and adopt it for many different purposes. The lack of understanding of the term has limited its use to be applied to analytical tools and as a guideline for managers. Blowfield & Frynas (2005) suggest, instead of looking for an inclusive definition of CSR, overcome the problem by thinking of CSR as

- An umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with

whom they do business (e.g. within supply chains); and that (c) business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society.

The Business for Social Responsibility Organisation also recognise there is a variety of terms that are used to describe this topic. Some interchangeable words include; business ethics, corporate citizenship, corporate accountability, social responsibility and sustainability. They provide a very comprehensive definition of CSR. They define it as “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment” and include “a comprehensive set of policies, practices and programmes that are integrated into business operations, supply chains, and decision-making processes throughout the company” (BSR, 2009). After looking at the organisations and scholars attempts at defining CSR it is important to highlight a brief history of the topic and how it has developed to shed light on why there exist several ways that companies can choose to assess their voluntary CSR and sustainability activities.

The history of CSR is almost as old as business itself, but has particularly been receiving much more attention from policy makers, businesses and scholars in the last three decades (UNEP, 2009). While the concept originated in the mid 20th century, the modern debate surrounding CSR was set in motion by the book *Social Responsibilities of the Businessman* written by Howard R. Bowen (1953) (Carroll, 1999). Bowen’s definition of social responsibility included the fundamental elements of modern definitions that suggest that business people should pursue policies and decisions, which are desirable in terms of the objectives, and values of our society (Carroll, 1999). Today’s evolving understanding of the topic of CSR are beginning to extend far beyond being organisation centric and begin to encompass an understanding that extends to every facet of the business including supply chain operations. Of the countless authors that have developed the concept of CSR since Bowen’s book an interesting development as pertains to supply chain management is Edward Freeman (1984) who ties together the issue of CSR with stakeholder management theory. The body of research on stakeholder theory in the last 20 years suggests two important points with regards to CSR. The first is the idea that to perform well, managers must pay attention to a variety of stakeholders including competitors, the local community and environmental lobbyists. The other point that is emphasized is that managers have an obligation to stakeholders that include, but extend beyond shareholders (UNEP, 2009). This contradicts the famous statement by Milton Friedman (1962) suggesting that corporate adoption of social responsibility undermines a free society to pursue as much profit for their shareholders as possible (Carroll, 1999). It is the stakeholders including regulatory bodies, shareholders, consumers, NGOs, activists etc. that are asking companies not only to track and report their own CSR activities but also the CSR performance of their entire supply chains in the context of the evolving definition of the term (BSR, 2009). Figure 2-1 shows a representation of different stakeholders that can influence a firm.

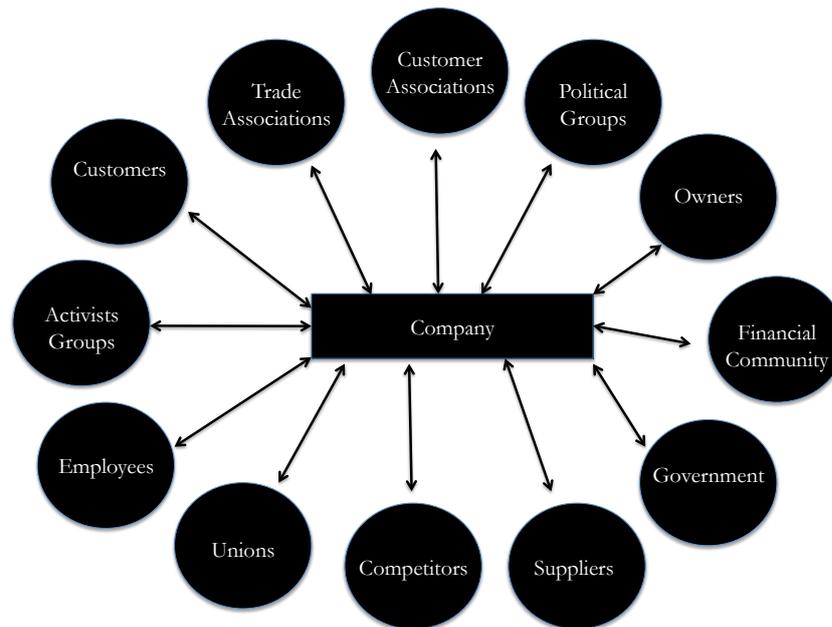


Figure 2-1 Stakeholder Map

Source: Adapted from Midttun (2007)

Even this short history and attempts to use a single definition of CSR show that the topic remains a very broad, divergent issue and results in a vast array of CSR efforts and ultimately how they are structured within corporations will depend on the most pressing issues a business faces. In recent years the field of CSR has grown exponentially. More companies than ever before are beginning to engage in CSR activities throughout their entire business due to the growing body of evidence that suggests there is a link between these activities and economic performance (BSR, 2009). In addition to this there are a number of voluntary initiatives and performance tools have been created to assess these activities even in light of the ongoing debate of whether to and how to formalize CSR requirements legally. For this reason it is difficult to uncover the best way to assess how corporations are doing with regards to their activities and has led to a vast number of methods to track CSR performance. CSR work can be viewed within a corporation through many different ways but as the Sustainable Consortium views it, it is either horizontal or vertical. The horizontal lens to analyse CSR work means viewing one organisation, the end producer or brand while the vertical lens is product centered and both of these concepts have strong roots in the life cycle approach to CSR work within organisations and sheds light on how to assess corporate social responsibility work.

2.1.2 Life Cycle Thinking

Life cycle thinking has been around since the early nineties when governments, international organisations worked together with the private sector to develop tools and methods to assess the full life cycle of products. In its most basic form life cycle thinking refers to taking all aspects of a product or service into account when assessing its environmental and social impact. UNEP defines it as “going beyond the traditional focus on production sites and manufacturing processes so that the environmental, social, and economic impact of a product over its entire life cycle, including the consumption and end of use phase, is taken into account” (UNEP, 2009). By comparing the products from material acquisition,

manufacturing of the product, its distribution, use, potential reuse, recycling and end of life can they be comparable, ultimately leading to sustainability improvements.

Life cycle thinking infers that information can be provided on the entire life cycle of the product so that consumers can be given the chance to choose between products with the smallest environmental impact. This also allows producers to be aware of what happens to the product after it has left the sales floor. This concept also prevents corporations from shifting the environmental burden from one process or geographical area to another because it encompasses the entire process from cradle to grave (UNEP, 2009).

Engaging in life cycle thinking means that the corporation begins to look beyond what occurs under their direct control. Possible methods to improve their sustainability performance profile are, seeking to develop products have smaller impacts at end of life or seek to source material inputs for their products that are produced in more social and environmentally sound way. The latter implies that they actively manage their supply chain engaging suppliers in their CSR activities. The supply chain is “all the activities involved in delivering a product from raw material through to the customer including sourcing raw materials and parts, manufacturing and assembly, warehousing and inventory tracking, order entry and order management, distribution across all channels, delivery to the customer, and the information systems necessary to monitor all of these activities” (Lummus & Vokurka, 1999).

Looking through the life cycle thinking lens we can assess a corporation’s CSR work through a horizontal or vertical perspective. We can take the horizontal view by analysing the CSR work throughout the supply chain or vertically by analysing the environmental and social impact of a single product. The focus here will be looking at life cycle through the horizontal lens, as this has been the focus of most initiatives looking to assess CSR performance. Another reason for this focus is that even with product-focused assessment, most are still associated with a brand and thus their specific supply chains (Sustainability Consortium, 2010). Often large corporations with thousands of products produced in multiple countries adopt a horizontal view of their supply chains. This is largely the result of the fact that several producing sites in their supply chains produce inputs into different products. Interconnected supply chains are common in the electronics industry where a single supplier produces circuit boards for printers, cell phones and computers that are all sold by the same company. In this case the assessment of social responsibility focuses on these as a group under the label of first tier suppliers (Sustainability Consortium, 2010). The pressure from stakeholders to measure and improve sustainability performance coupled with the tangible and intangible benefits of communicating CSR work in a transparent way has increased the problem of monitoring or audit fatigue as large multinational enterprises attempt to ensure their extensive supply chains are compliant with their CSR programs.

2.1.3 Pressures, Motivations and Payoffs of CSR in the Supply Chain

There are many tangible and intangible benefits for corporations to engage in and communicate CSR and substantiality work in the supply chain to the public. As mentioned earlier there is a growing body of evidence that illustrate the link between CSR work and corporate financial performance (Barnett, 2005; Brammer, et al., 2009; Cardan & Darragh, 2004; Fishman et al., 2007; Orlitzky et al., 2003; Vogel, 2005). In addition to this link there are a number of reasons corporations engage in supply chain management activities. In a systematic review of global supply chains the Network for Business Sustainability produced a report synthesizing 194 studies over 25 years that focused on the broader themes of the literature reviewed. Throughout this process, they highlighted the reasons corporations are engaged in supply chain management and put them into three categories: pressures, motivations, and payoffs (Brammer, Hojmosse, & Millington, 2011).

Pressures

The findings sought to explore the relative importance of a range of sources of pressure to engage in practices that address sustainability issues in international supply chains. The main sources of pressure to manage sustainability in the supply chain based on their prevalence in literature were consumer pressure and concerns (28%), government legislation and regulation (22%). While societal and public concern (18%) and NGO pressure (16%) play a role in encouraging sustainability activities in global supply chains. The other categories mentioned media (6%), peer/industry groups (4%), investors (3%), liability risks, employee concerns, and cost pressures each with 1% (Brammer, Hoejmoose, & Millington, Managing Sustainable Global Supply Chains: A Systematic Review of the Body of Knowledge, 2011).

Motivations

There are a number of factors that influence a corporation's desire to participate in sustainability activities throughout their international supply chains. The main motivators prevalent in the literature review can be described as defensive or reactive by nature. The top motivators were retention of customers (26%) and attraction of new customers (8%) while other top motivators were managing risk in the supply chain (19%), desire to be in compliance with regulation/legislation (14%) and managing firm reputation (14%). The other categories described as positive or pro-active were reduce costs (3%), improve efficiency (1%), or gain access to overseas markets (1%). Rounding out the list were competitive advantage (7%), moral obligation (3%), protecting brand (2%) and responding to social pressure. In addition to over all percentage of the 194 articles reviewed NBS contrasted the results only including articles from 2008 and forward, found there was an increase in pro-active motivations suggesting that these types of pro-social motivations such as moral obligation or social expectations are becoming more prevalent relative to reactive approaches centered on risk avoidance (Brammer, Hoejmoose, & Millington, 2011).

Payoffs

In the literature review of 194 articles, the NBS notes that only 38 of them (19%) directly address the implications of sustainable activities in the supply chain. Of those 38 they rarely mention independent measurements of improved financial performance linked with sustainability initiatives in the supply chain but rather perceived performance improvements. This is largely due to the fact that benefits arising from sustainability activities in the supply chain can be largely in tangible (Brammer, Hoejmoose, & Millington, 2011).

2.1.4 Intangible Benefits to CSR in the Supply Chain

Employee Recruitment & Retention

Corporations cite that in today's employment market there has been an increase in candidates to inquire about internal CSR policies. CSR policies can be used to recruit employees in today's war on talent. It can also become a way to create a point of pride for employees currently working, which could help retain talent, lowering turn over and associated cost of replacing employees (Lougee & Wallace, 2008). There has been evidence that companies engaged in CSR activities do attract better quality employees with the explanation suggesting that companies that uphold ethical values will likely be a responsible employer too (Nurn & Tan, 2010). Communicating CSR initiatives to the public might lead to this benefit.

Risk Management

In today's technology environment consumers have more access to information than ever before along with the ability to communicate it through various methods. Reputational concerns, especially in light of recent scandals experienced by Nike, exposed for child labour and Apple with employees at supplier sites in China, can hurt brand reputation that take years

to restore with consumers and potential employees. These events also bring unwanted attention from regulatory authorities. An effective CSR programme can help to prevent these risks from occurring by structuring work in an effective way (Lougee & Wallace, 2008).

Brand Differentiation

Companies could also use CSR programmes to separate their products from competitors with the intention of boosting sales and market share. An effective CSR programme can be used to communicate the organisation's commitment to environmental and social issues. With the rise of access to information, this concept could prove to be a determining factor in consumer purchase decisions. This is especially evident in the ethical consumerism and the fair trade movement (Sustainability Consortium, 2010).

Avoidance of Government Interference

Corporations engaged in and communicating CSR activities are more successful at avoiding regulatory intervention. One example relates to entering new markets. Target and Costco with superior CSR track record, rarely face the same opposition entering new markets as Wal Mart encounters with a less favorable CSR record (Lougee & Wallace, 2008).

Efficiency

The competencies gained through CSR programmes have shown evidence of more efficient use of resources. In addition to this it has also been shown that CSR work leads to more efficient processes and improvements in productivity (Lougee & Wallace, 2008). This increase in efficiency is linked to reducing operating costs for the companies that engage in them.

With the above-mentioned benefits to communicating and engaging in sustainability work there remains many ways in which to do so and not without its challenges.

2.1.5 Challenges to Social Sustainability Assessment

There are several challenges to achieving social sustainability through assessment. Some of the issues have been touched on above but three of the most important ones to be elaborated on are: consensus on a common understanding of the definition of sustainability, standardizing frameworks of social impacts and complexity of the concept.

Understanding Sustainability

Similarly to the issue of defining CSR, a lack of common understanding of the sustainability term is prevalent. What sustainability is and how to measure its progress is one of the most difficult issues in assessing corporate performance. Even given a common definition of the term still does not address the issue of its interpreted meaning in a regional context.

Standardizing Frameworks

Organisations operating in different sectors may desire a framework that is tailored to their specific environment. These bottom-up approaches are based on the needs the organisation and their stakeholders, often developed in conjunction with them. Some frameworks for assessment are based on the top-down approach originating out of international conventions. These approaches start with an international convention that stipulate the minimum obligations of corporations with regards to their social impacts and are defined based on the expectations of the agreement (Sustainability Consortium, 2010). There is no common agreed upon framework used for social assessment, however most existing frameworks tend to have very similar categories.

Complexity of the Concept

The sheer nature and concept of sustainability assessment within the context of globalisation might not be manageable in current institutional arrangements. The concept of corporate social responsibility continues to evolve and encompass more areas of focus than ever before. The challenge of addressing corporate sustainability in a coordinated fashion that addresses the needs of all stakeholders is seemingly impossible given the fact that there are an endless number of issues an organisation can choose to address with limited amounts of time, expertise and other resources needed to be dedicated to their resolution.

There are a number of reasons why corporations involve themselves in sustainability assessment initiatives. The most prominent reason is that sustainability assessment initiatives attempt to address the challenges mentioned above in a structured and transparent way. However, navigating social assessment schemes is almost a challenge in itself. Even though there are endless ways to structure and communicate social sustainability work they can be simplified into six general categories.

2.2 Social Sustainability Assessment Methods

As mentioned there are a huge number of initiatives with varying methods that aim to assess and provide companies transparency with regards to their sustainability work. This is by no means an exhaustive list of the currently available methods to assessment but rather a general list of the types with some examples. There is a wide variety of implementation of these methods and some have different areas of focus. Some are multi-stakeholder initiatives; some are tools, methodologies and guidelines. Appendix A lists a number of leading examples in each of the main six categories of references and instruments that have been identified as relevant to social sustainability assessment, which are: International Policy Frameworks, Codes of Conduct and Principles, Sustainability Reporting Frameworks, Social Responsibility Implementation Guidelines, Auditing and Monitoring Frameworks and Financial Indices (Sustainability Consortium, 2010). The most prevalent assessment methods for supply chain practitioners being auditing and monitoring frameworks, implementation guidelines and codes of conduct (Brammer, Hojmosse, & Millington, 2011).

2.2.1 International Policy Frameworks

This type of assessment is based on international conventions covering human rights, worker rights and environmental operational instruments. These conventions are centered on the state and their ability to influence the fulfillment of its requirements. Any state in the world can be a member of these conventions but once ratified they are held accountable for promoting the aims of the conventions as well as achieving progress of its underlying cause. Although there are many ways to be held accountable for ratification of conventions the majority of the accountability in the system relies on political will and good intent. The context of globalization highlights the fact that state obligations towards conventions become somewhat inconsistent. Although states have the responsibility to protect their citizens, they do not always have the ability to do so and sometimes, bigger issues supersede that obligation. With the important role that businesses play in society and the economy, states are often in the position of competing for economic opportunity. This results in the unequal balance of economic power versus social obligation and usually there is a clear victor. For this reason the UN Business and Human Rights framework attempts to address this gap in reality advancing the social agenda in current economic times. The pillar of social responsibility is upheld by conventions because it is the baseline line humans need to thrive. UN conventions are planetary and aim at obtaining a common understanding of values and goals between nations as a path to overall human well being (Sustainability Consortium, 2010).

Limitations

Despite the growing number of countries committing to international conventions covering supply chain issues such as labour and environmental practices, they are yet to be universally ratified. Despite this fact, many companies still choose to buy from and manufacture in countries that have not ratified these conventions implementing voluntary codes of conduct in their absence, which brings about criticism of their motives, especially when they do not have a history of ethical considerations in their supply chain (Iwanow, McEachern, & Jeffrey, 2005).

2.2.2 Codes of Conduct and Principles

Codes of conduct are used to represent a legal obligation through a contractual agreement to uphold the principles set forth in document. These agreements created internally by a corporation are in essence, private regulation in absence of public regulation to ensure stakeholders in the developed world they are going beyond the regional legal setting of their operations, although it is highlighted that it is not an effective substitute (Vogel, 2010). Codes of conduct and principles can vary from company to company but most are based on international conventions and Human Rights Declarations, sometimes with additional elements including governance and environmental principles. Organisations committing to codes of conduct based on conventions are also accountable to them if they promote and pledge the codes content. Sometimes codes of conduct and principles go beyond what is covered in the conventions they are based upon. However the conventions scope and text on specific subjects prevail over principle based codes (Sustainability Consortium, 2010).

Codes of conduct are a way for a corporation to define ethical standards for their conduct or conduct of suppliers. These are voluntary arrangements and vary in the way they are drafted and the issues they address. The fact remains that codes of conduct and principles are the basis for most ethical audits (Sustainability Consortium, 2010).

Limitations

The main limitations to corporate conducts of conduct can be summed up in three generic categories, which are: lack of stakeholder engagement in their development and implementation, lack of integrity in organisational practice and lack of stakeholder activism ensuring that corporations are held accountable. Corporate codes of conduct are criticized for their bias to Western ways of thinking, ignoring context specific conditions and assume they translate to sites across the world and maintain their relevance. Another major objection to codes of conduct is that there is no formal governing body responsible for monitoring, auditing and reporting compliance and it is generally left to the corporation's devices. The latter referring to the other major objection, being that, lack of integrity amongst corporations that think setting up codes of conduct is sufficient without the follow up mechanisms (Painter-Morland, 2006).

2.2.3 Sustainability Reporting Frameworks

Sustainability reporting frameworks are used to guide companies in their sustainability work by defining the principles of social responsibility and related management conditions to achieve them. The monitoring measurements and evaluation tools are set up through a multi-stakeholder development process that uses indicators to track performance of a single corporation or product producer but not the full extent of the supply chain or full life cycle of the companies products. However the sustainability reporting and assessment can be compiled where possible to give a more comprehensive picture of supply chains. The Global Reporting Initiative (GRI) is the most notable example of sustainability reporting framework. About 2,000 companies worldwide currently use the GRI tools and guidelines to report and communicate their sustainability performance in a more transparent and accountable way.

The emerging trend within this type of reporting is to merge financial performance reporting together with sustainability performance reporting through the concept of integrated reporting (Sustainability Consortium, 2010).

Limitations

There are several limitations associated with using Sustainable Reporting (SR) as a way to communicate CSR work. The main questions surrounding these schemes are concerns over the completeness, transparency, and usefulness of data. The voluntary nature of the programmes in terms of both form and content open the door for green washing claims as firms can put a favorable rather than realistic view of the organisation's performance. The sheer number of reporting initiatives also allows the firm to be more selective on which one represents their activities in the best light. There are also no agreed upon regulations or standards for measuring all environmental, social and sustainability performance reporting even when using a programme such as the GRI. This leads to company's ability to use the reports as a marketing tool (Pennington & More, 2010).

2.2.4 Social Responsibility Implementation Guidelines

Social responsibility implementation guidelines present guidance on management processes in environmental or social aspects that may or may not be accompanied by a standard. These guidelines point to specific requirements or objectives of management processes that need to be met and the focus is continuous improvement. The composition of the guidelines is statements referring to the norm in the field or provides how management processes are structured to meet the expectation of the guidelines. They could provide recommendations or detailed descriptions of ways to structure tasks oriented to continuous improvement in environmentally or socially responsible work. The foundation of the guidelines based on best practices may help structure work in ways that help management identify issues and improve their social responsibility performance. Several international organisations have provided detailed guidance on management systems with the objective of identifying and improving social issues as well as better monitoring of these issues, the most notable guidelines in the social and environmental field is International Organisation for Standardization (ISO) 26001 and ISO 14001 (Sustainability Consortium, 2010). Most guidelines do not exist in a vacuum but are focused in specific implementation and sometimes overlap in some areas as in the case of ISO.

Limitations

The criticism of these guidelines is that they help companies document their work quite well and suggest they meet relevant legislation and continuously improve but under their framework allows for self-regulation as organisations set their own targets that aren't always concrete and measureable (Balzarova & Castkab, 2008).

2.2.5 Auditing & Monitoring Frameworks

Auditing and monitoring frameworks provide tools to monitor compliance to codes of conduct and reference codes. First reference of social auditing occurred in the 1940s by Theodore Kreps, then Professor of Business Economics at Stanford University when he proved that the application of a social audit was feasible to conduct on an industry basis, a sector of the economy or on an individual basis (Carroll & Beiler, 1975). It wasn't until the 1970s and early 80s that the idea that businesses should monitor social and political conditions in the environment gained acceptance among scholars and companies began to audit for social and ethical compliance (Wood, 1991). As mentioned earlier this was taking place under the emerging idea of being held accountable to these codes of conduct to an enlarging group of stakeholders and not just shareholders and owners. This was also a time where the link

between financial performance and social responsibility was being established. Although most of the social auditing discussion occurred in the United States, the practical implementation of the concept occurred in Europe. The concept further established its roots in the 1980s after several scandals occurred with regards to labour practices in the apparel industry. Modern auditing and monitoring frameworks are very common but the focus remains on the first tier of an organisation's suppliers (Sustainability Consortium, 2010). With a lack of consistency in codes there has been a proliferation of audit duplication resulting in audit fatigue leading to reduced efforts on improving social performance (Locke, et al., 2007, Barrientos & Smith, 2006). Auditing and monitoring frameworks have been created for this reason due to the fact that until the 2000s many companies operated with their own sets of codes of conduct and reference codes. These frameworks look to address consistency and transparency issues by driving convergence in methodologies among and across industrial sectors.

Limitations

One limitation of auditing and monitoring frameworks is that they are a private activity with little or no feedback to governments. This is somewhat addressed by their multi-stakeholder origin but often lack a public element in dialogue on standards and methods. Another criticism is the lack of transparency in the audit process. This has been a continual problem for such schemes and they work to harmonize many different audit standards across industries. Finally it is noted that these systems rarely produce knowledge transfer needed to produce long-term changes in supplier behaviour.

2.2.6 Financial Indices

Financial Indices collect data on public companies to assess their sustainability performance. The basis of this assessment will decide whether or not they are included in the index. The modern origin of socially responsible investing increased in popularity during the Vietnam War when there were a number of investors who did not want to invest in companies supporting the war effort. Today churches, universities, pension funds and the average investor use this information to put their money to work in organisations more closely aligned to their own morals and values (Schueth, 2003). To be included in the sustainability financial index the focus is on overall sustainability performance and not necessarily on supply chain performance. It is highlighted that only some indices ask question related to supply chain topics, which are not very in depth. The information collected from this initiative could be more useful if it included a horizontal life cycle approach to data collection. The Good Guide is an organisation that uses the information from financial indices to help consumers invest in more socially responsible products (Sustainability Consortium, 2010).

Limitations

Criticisms of sustainability indices have raised questions about the methods used to screen funds and the transparency of reporting efforts in absence of an independent monitoring body. Similarly to other sustainability reporting criticism, the lack of uniform standards allows corporations to represent themselves in a positive light. The methods used to screen companies for inclusion or exclusion in the index is open to bias. Some indices exclude a company for socially irresponsibility while another is included with the essentially same characteristics. The criteria for cut-off limits of revenue percentage from socially harmful activities appear too subjective and not applied in a consistent manner. Furthermore it has a bias in favor of larger companies that have bigger social impacts but less total revenue generated from socially undesirable activities (Schepers & Sethi, 2003). Finally the inconsistent manner in which reporting and evaluating criteria of firms for their inclusion in the index is subject to criticism because of the usefulness of the information provided in determining their inclusion.

2.3 Supply Chain Management

A consistent theme throughout social sustainability assessment methods is the attention paid to the supply chain management function. Supply chain management is at the heart of social and environmental performance improvement globally as this is one of the most influential functions of today's global organisations. The following is a look at what supply chain management is and how the field of supply chain management can assist in realizing the goal of improved social and environmental performance.

2.3.1 Supply Chain Model and Evolution

The Council of Supply Chain Management Professionals (CSCMP) defines supply chain management as the planning and management of all activities surrounding sourcing and procurement, conversion and all logistics management activities but it also includes coordination and collaboration with partners, such as suppliers, intermediaries, third party service providers, and customers (CSCMP, 2012). Supply chain management is a very important part of most businesses as it essentially integrates supply and demand management within and across companies (CSCMP, 2012). Although Supply Chain Management (SCM) can become quite complex, a simplified representation of the SCM model is illustrated in Figure 2-1.

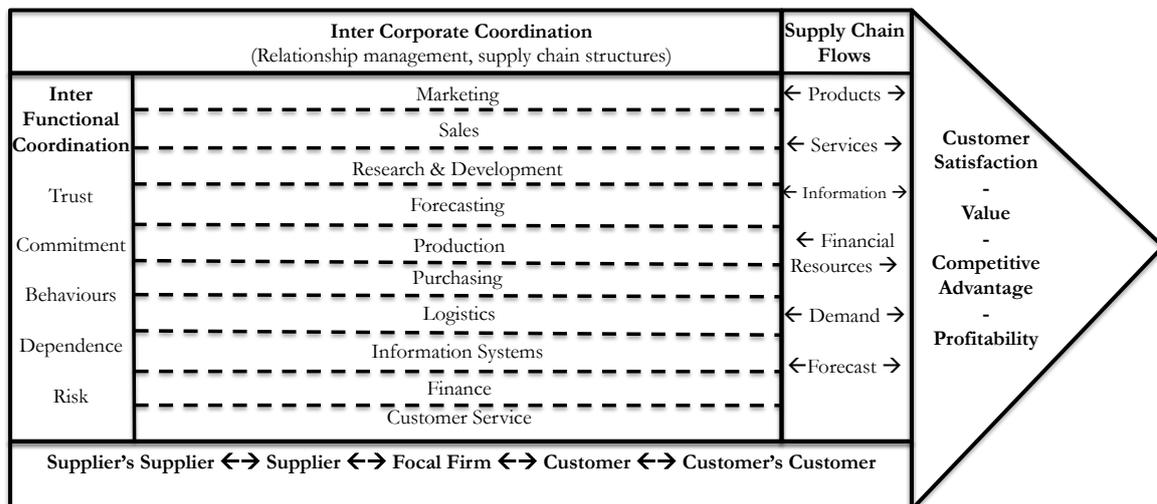


Figure 2-2 – Supply Chain Management Model

Source: Adapted from Mentzer (2001)

The primary strategy for most manufacturers in the 1950s and 1960s was centered on mass production as a way to minimize unit production costs, with little product or process flexibility. This resulted in corporations having a high inventory level of products that would be ready for sale on the market. New development of products was slow and relied on the expertise within the firm to execute. Little attention was paid to developing a collaborative relationship with suppliers as it was deemed to be risky and unacceptable to share technology and expertise with customers or suppliers (Tan, 2001). It wasn't until the 1980s that globalization brought about the need for corporations to become more flexible in delivering high quality, low cost and reliable products to market due to fragmentation and variety of products and services demanded on the market. This began to highlight the strategic importance of collaborative relationships within the supply and purchasing fields (Storey et al., 2006). It wasn't until 1982 where the name Supply Chain Management shifted the emphasis to a reduction of inventory both within and across firms (Cooper et al., 1997). It was during the 1990s that many manufacturers and service providers started to collaborate with suppliers upgrading their purchasing and supply activities from a clerical role to a strategic element

within the phenomenon of SCM (Tan, 2001). Instead of engaging in non-value adding activities such as product quality inspections at the receiving end, retailers began to trust the quality control of the manufacturer reducing lead times. Corporations began to realize that actively engaging in SCM could result in more efficiency throughout the value chain (Tan, 2001).

More recently SCM functions are increasingly becoming cross-functional involving new organisational forms with less emphasis on hierarchies that dictate in a command and control fashion in favour of flattening hierarchies with more of a team and empowerment focus (Storey et al., 2006). It is also noted trends of outsourcing to take advantage of lower production and purchasing costs is common in today's global market and heightens the need for SCM. As contract manufacturing is becoming the norm, the role of brand owners that have valued relationships with customers seek to secure their products depend on the intangible assets and skills of their supply base, suggesting that collaboration is key to this process (Storey et al., 2006).

In light of the evolution of SCM and its cross-functional nature, it is becoming an important way to improve social and environmental performance. Specifically, the integrated role of purchasing and supply into cross functional teams that assess environmental and social impacts products throughout the life cycle has been highlighted to be crucial to this (Preuss, 2007). It is also highlighted the role of purchasing and its importance in corporate strategy (Chen et al., 2004; Svahn & Westerlund, 2009).

The Role of Purchasing

The heart of the supply management function is purchasing, which is the process of acquiring product inputs and services from suppliers. The basic purchasing objectives and responsibilities involved in supply chains are as follows:

1. Select, evaluate and develop sources of materials, supplies and services required by the corporation.
2. Maintain and develop close relationships with suppliers in terms of quality, delivery, payments and returns.
3. Continually seek new materials and products, and new sources of better materials and products with regards to quality, regulations, safety etc.
4. Negotiating and acquiring raw materials, capital equipment, consumer goods and services at prices that represent the best value for money and are consistent with the quality requirements.
5. Co-operating in cost reduction activities such as value analysis, make or buy studies and long-term planning. Purchasing must be aware of trends and projection in prices and the availability of the resources that a company must have in order to meet the customer's expectations.
6. Maintaining an effective communication system with departments within the organisation such as design, production and marketing, and between the company and the external suppliers (Rowbotham et al., 2007).

As SCM has developed, its economic importance has increased as companies bought in material and components account for the largest share of expenditure in today's corporations. By 2000, the average American manufacturing company spent over 65% of total expenses on materials and components. Such a large percentage allows company's to leverage even modest saving in materials and components and translates that into profit and increased sales (Burt et al., 2003). Since supply chains are no longer focused on the clerical objective of purchase

price and supply continuity, globalization has shifted the focus to have an emphasis on cost saving and become fully integrated into the competitive strategy of the firm (Burt et al., 2003; Hall & Braithwaite, 2001). The change of purchasing to include a strategic element to the corporation has also changed the way in which supplier relations are viewed. Given the importance of the supply chain, companies have begun to realize the long-term value in supply relations (Preuss, 2005). This idea is also reflected in the environmental supply chain management, green purchasing and sustainable supply chain management literature.

2.3.2 Sustainable Supply Chain Concepts

With the strategic importance of supply chain management highlighted, it has been recognized that it could have a large role in reducing environmental and social impacts through life cycle thinking (Zsidisin & Siferd, 2001; Handfield et al., 2005; Preuss, 2005; Linton et al., 2007). The relation of supply chain management functions to social and environmental impacts has been discussed under a number of different names with different areas of focus.

Green Supply Chain Management

Green Supply Chain Management and Environmental Supply Chain Management are two terms used interchangeably but both are centered on how environmental aspects are taken into consideration through the firm's ability to manage its products and relations throughout the supply chain. The literature discusses procurement decisions and the ability to influence material inputs of products or components bought, processes of suppliers to use the most beneficial materials for the environment and to prevent waste, distribution and logistics aimed at efficiency and minimized packaging are considered important.

There are a number of academic papers that have attempted to define the elements involved in Green Supply (Russel, 1998; New et al., 2000; Bowen et al., 2001; Preuss, 2005; Seuring & Müller, 2008). A working paper by Olga Chkanikova (2012) has summarized the related literature including five key elements on this topic in Figure 2-3.

Products-based green supply	Process-based green supply
1. Ensuring green supply	
2. Developing green supply	
3. Developing well-functioning relationships	

Figure 2-3 - Conceptualization of Green Supply

Source: Adapted from (Chkanikova, 2012)

Ensuring products-based green supply refers to the purchasing elements of supply. In this case it could mean that the purchasing firm has a list of requirements for environmental standards that must be complied. Environmental requirements could mean going beyond the finished product and include material used in the fabrication of the component or product purchased. This area could also include stipulation to byproducts such as packaging.

Ensuring process-based green supply could involve an indirect method of ensuring sustainability of a manufacturing process by a stipulation of minimum environmental performance as a pre

condition to conduct business. A more direct method would be for purchasing firms to require the manufacturer to have some sort of environmental management system or certification such as ISO 14001.

Developing product based green supply is largely centered on assessing green supply offers from suppliers through various sustainability criteria. Contracts are rarely awarded strictly on an environmental basis and thus a tradeoff exists between quality/price ratio offered by one supplier and another supplier with superior environmental performance, although the two are not always mutually exclusive. Resolving this tension would involve a dialogue between the purchasing firm and supplier to discuss mutual willingness to match conventional, environmental and social criteria.

Developing process based green supply with the purpose of influencing the supplier's internal processes with regards to environmental concerns. The buying firm could become involved with the supplier's internal environmental initiatives including developing eco design programmes, take back programmes or other recycling initiatives. It could also relate to the logistical field focusing on improving efficiency of transportation networks for distribution leveraging each other's capabilities and expertise. This would have the precondition of a relationship centered on trust but could lead to important sustainability improvements.

Developing well-functioning relationships with suppliers. Improving relationships among supply bases might contribute to better production processes lowering supply risk but also may improve sustainability performance. In order to obtain green supply there are a variety of organisational and technical barriers that must be overcome and well-functioning relationships may be a way to influence and improve environmental performance (Chkanikova, 2012).

It is noted that by engaging in Green Supply Chain Management that firm's have the ability to reduce costs, minimize waste and improve environmental performance by looking into the inbound, the outbound and internal functions within the supply chain (Rao & Holt, 2005).

Green Purchasing

Green or environmental purchasing focuses on the inclusion of environmental considerations in the supply chain activities and in relations with suppliers (Bowen et al., 2001). There are a variety of Green Purchasing strategies corporations currently use but Lloyd (1994) suggested there are two generic types, external verification of suppliers and the questionnaire and audit approach. Later this idea was expanded on to include five basic strategies: the use of questionnaire, the use of environmental management systems, life-cycle assessment, product stewardship and collaborative relationships (Lamming & Hampson, 1996).

The Global Environmental Management Initiative (GEMI) classifies sustainable sourcing strategies under four categories from compliance with minimum standards to green purchasing as a strategic corporate function (Hamner, 2006).

- Performance Level 1 – *Compliance* – The Company reviews and gives preference to suppliers that match their own environmental policies and standards. When conducting a review, preference is given to suppliers that comply with environmental and health and safety laws.
- Performance Level 2 – *Systems Development and Implementation* – This level is centered on delisting suppliers that do not comply with the company's environmental policies through a systems based approach of supplier evaluation with regard to selection.
- Performance Level 3 – *Integration into General Business Functions* – This level of strategy uses the systems based approach of supplier evaluation in selection as well as

integrates environmental priorities evaluation system which is followed for selecting suppliers in all business units.

- Performance level 4 – *Total Quality Approach* – This level of strategy involves awarding purchasing contracts to those supplier with integrated sustainability approaches into their management practices. Supplier’s internal management processes are continuously evaluated on their performance with regards to the purchasing firm’s policies. At this level there is an emphasis on collaborative efforts with suppliers to identify and improve performance of supplier’s and the firm’s environmental management systems.

In addition to classifying green purchasing strategies in to these categories, it has also been noted their different relative effect on improving sustainability performance. Collaborative relationships have been identified as the purchasing strategy that has resulted in the most substantial improvements in supplier’s environmental performance. Figure 2-4 shows a representation of different Green Purchasing strategies have on sustainable supplier behavior.

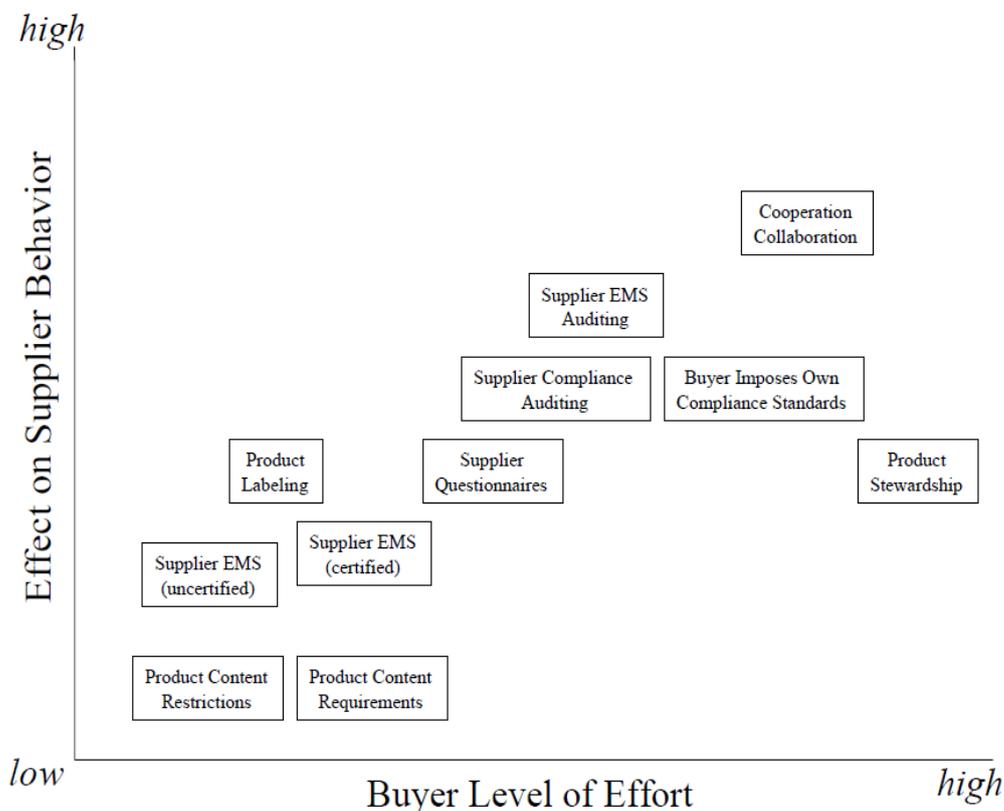


Figure 2-4 Green purchasing strategies: level of buyer effort in relation to impact on supplier behaviour

Source: Hamner (2006)

As the figure above depicts collaborative efforts in the supply chain has been proposed as the most effective way to improve supplier sustainability performance. It has also been observed that the most significant improvement in supplier’s sustainability behaviour occurs when purchasing firms commit time and resources to developing collaborative relationships with their suppliers (Charter et al., 2001). Altering supplier’s behaviour in international purchasing is of particular concern as it often occurs in less developed countries where environmental and social legislation is weak and largely unenforced. Suppliers in these countries often lack the tools, financial resources and information to successfully improve their company’s

sustainability performance, heightening the need for guidance and expertise from international buyers (Chkanikova, 2012).

Sustainable Supply Chain Management

Recent literature has begun to merge the topic of Green Supply and Green Purchasing into the umbrella term Sustainable Supply Chain Management (SSCM). The notion of SSCM attempts to align the aspects of environment, society and economic performance together, much like the concept of the Triple Bottom Line suggested by Elkington (1998).

In attempting to include sustainability in the definition of SSCM based on the notion of the triple bottom line, Carter and Rogers (2008) define it as, “the strategic, transparent integration and achievement of an organisation’s social, environmental, and economic goals in the systemic coordination of key inter-organisational business processes for improving the long-term economic performance of the individual company and its supply chains” (Carter & Rogers, 2008).

In a similar attempt to define SSCM Seuring and Müller (2008) define it as “the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements. In sustainable supply chains, environmental and social criteria need to be fulfilled by the members to remain within the supply chain, while it is expected that competitiveness would be maintained through meeting customer needs and related economic criteria” (p. 1700).

The definitions of SSCM depict the fact that they are broad and encompass a number of environmental and social aspects that must be applied throughout business processes and it is recognized that the supply chain is just one element of this. According to Carter and Rogers (2008) the approach of applying sustainability within the notion of the triple bottom line concept, must rely on more than conventional managerial practices and include four additional aspects to sustainability. Figure 2-5 denotes a visual representation of their definition within the context of the triple bottom line perspective of economic, social and environmental performance.

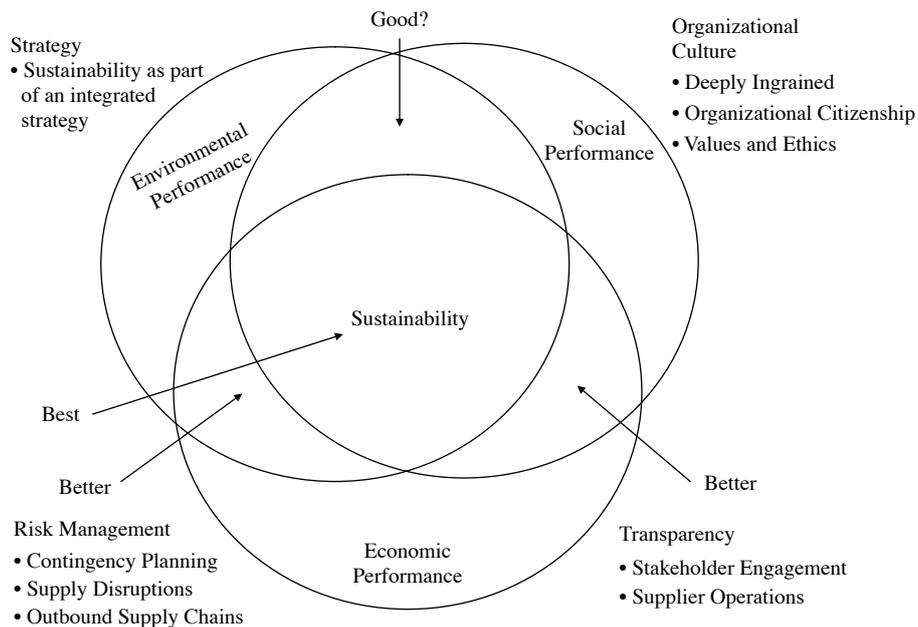


Figure 2-5 – Sustainable Supply Chain Management

Source: Carter and Rodgers (2008)

- *Risk Management* – this means not only managing short term financial results but also risk factors including harm resulting from products, environmental waste, work and public safety, climate change, scarcity of natural resources used as material inputs in supply chain and fluctuating energy prices.
- *Transparency* – corporations must open their operations to greater public scrutiny. By engaging stakeholders and using their feedback to improve supply chain processes. Common audit methodologies outlined through various initiatives are highlighted as one example of a way to increase transparency and improve sustainability performance while lowering transaction cost of other companies buying from that supplier.
- *Strategy* – sustainability initiatives must operate in a uniform fashion with corporate strategy and should not be managed independently of one another.
- *Culture* – creating a shared mindset of sustainability within corporate culture has a significant contribution to driving innovation and change (Carter & Rogers, 2008).

Seuring and Müller (2008) discuss SSCM in a parallel fashion but add two distinctive strategies in pursuit of sustainable supply chains based on the triple bottom line perspective. They highlight that corporations can adopt a supply chain management strategy for sustainable products through life cycle assessments focused on the impacts of products both environmentally and socially or a supply chain management strategy for risks and performance focused on the supply process. The latter relying on performance requirements such as the implementation of an environmental management system or criteria for minimum environmental and social standards and subsequent supplier audits.

The focus will be on the latter method identified by the authors as large multinational corporations have predominantly focused their attention on supply chain management strategy for risks and performance, electing to join large sustainability assessment schemes focusing on harmonizing audit standards in pursuit of sustainable supply chains.

2.3.3 Structuring the Challenges

There are many issues to consider when attempting to manage the social and environmental aspects in the supply chain as it is a highly daunting and complex task. There is currently a lack of coordinated efforts designed to approach this issue largely due to the situational variables present in implementing sustainable supply chain management strategies (Kogg, 2009). While investigating how retailers in the textile industry implement CSR work, Kogg points to four generic tasks associated with structuring the challenges around engaging in supply chain management activities. Figure 2-6 depicts a representation of these challenges.

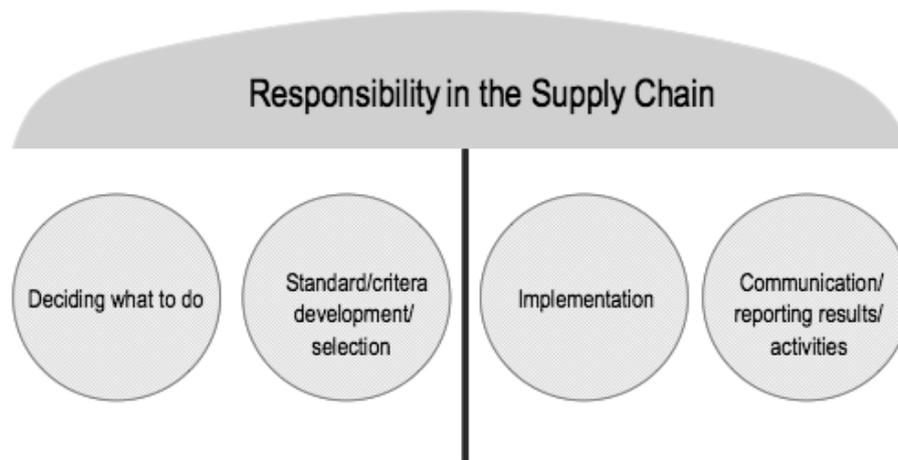


Figure 2-6 – Four generic challenges associated with CSR

Source: Kogg (2009)

The issue of *deciding what to do* is the fundamental aspect of supply chain management linked to strategy. The author notes that it is problematic to attempt to address all of the social and environmental aspects that arise in a supply chain. Rarely are supply chain management issues addressed in an all-encompassing fashion and as much as it is about identifying the impacts arising in the supply chain the emphasis should also be placed on understanding the specific needs and wants of relevant stakeholders.

Standard/criteria development/selection is a distinct task related to selecting how to assess their supply base. There are a number of competing standards and criteria available to through which to judge supplier performance and navigating which method is best suited for the focal company involves decisions surrounding, stakeholder perceptions, cost, change of practices and how it will impact the organisation.

Implementation is about internal and intra-organisational processes about how to achieve objectives of sustainability work in the supply chain. Determining this element is very situational. Contextual factors such as whether or not suppliers can be located that comply with the criteria/standards and whether they can be verified determines the level of effort required to influence their processes or products. Influence can consist of simply selecting a verified supplier all the way to extensive collaborative engagement through supplier development and monitoring.

Communication/reporting results is the task associated with the challenge of what is the best way to communicate results to interested stakeholders and which achievements are most important. Relevant data availability on suppliers is also a key challenge of this process (Kogg, 2009).

The literature review has pointed to several contextual factors that may suggest how a company chooses to address social and environmental impacts arising from supply chains and Kogg (2009) suggests ways to structure the challenges associated with selecting the best way to address issues for a focal company. Supply chain management literature lacks a specific theoretical framework to analyse strategies to supply chain improvement but does offer a number of theories that offer justification for firm strategies regarding purchasing strategy, stakeholders role in influencing sustainability work in the supply chain and the collaborative paradigm.

2.3.4 Theoretical Context

Throughout the literature review of sustainable supply chain management, green purchasing, and green supply it is observed that all of them suggest the importance of strategic consideration in supply chain efforts and collaborative efforts with suppliers as a way to improve efficiency, reduce costs and improve social and environmental performance but collaborative efforts might not be suitable for all contexts.

Purchasing Portfolio

In 1983, Peter Kraljic he argued the need for purchasing to become a strategic element of supply chain management, one that minimized risks and make the most of buying power determining a strategy depending on the value of purchases to firm operations and supply market conditions. The outcome was a matrix for determining stages of purchasing sophistication highlighting that different strategies for different types of purchases evident in supply relations as depicted in Figure 2-7. He made the case that if a product or component was strategic then it is necessary for that firm to engage in supplier development increasing the value of long-term relationships. In addition Kraljic (1983) highlighted that the strength of the vendor based on their resource importance was a key element of purchasing strategy.

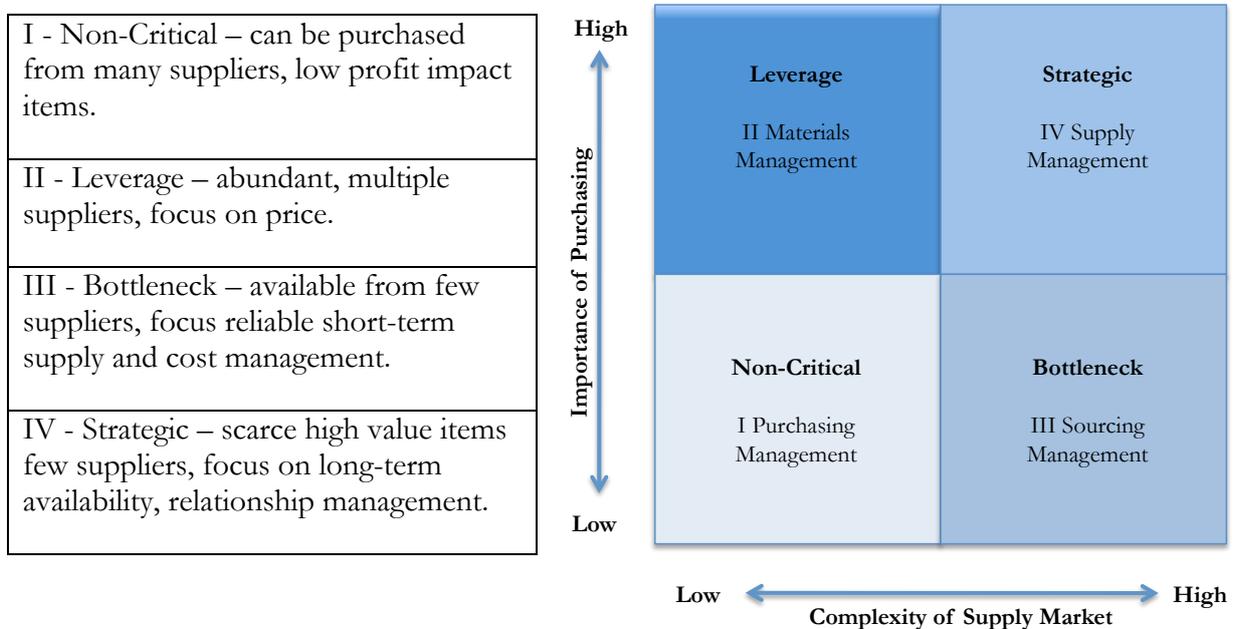


Figure 2-7 – Kraljic’s stages of purchasing sophistication

Source: Adapted from Kraljic (1983)

The main outcome of Kraljic’s work was the analysis of when it is most efficient to invest in supplier relations. He suggests that for non-critical and leverage items the focus should be on driving down price as there are many suppliers in the market and the importance of establishing relationships with these suppliers is a non-critical factor. In comparison bottleneck and strategic items important to the final product where few substitutes exist, establishing long-term relationships is essential to continual supply.

Advanced Purchasing Portfolio and Importance of Stakeholder Consideration

As Kraljic (1983) suggested that “purchasing must become supply management”, Krause et al. (2009) argue that just as quality, cost, innovation and flexibility are competitive priorities; sustainability should be included as well. Arnold and Schmidt (2010) propose an addition to

Kraljic’s purchasing portfolio by adding in a third dimension concerning stakeholder expectations and associated CSR objectives. The addition changes Kraljic’s matrix into a cube where the category of stakeholder impact is considered. Stakeholder impact reflects the triple bottom line perspective of social and environmental issues arising from CSR work while the economic aspect of CSR is reflected in the profit axis of the model Figure 2-8.

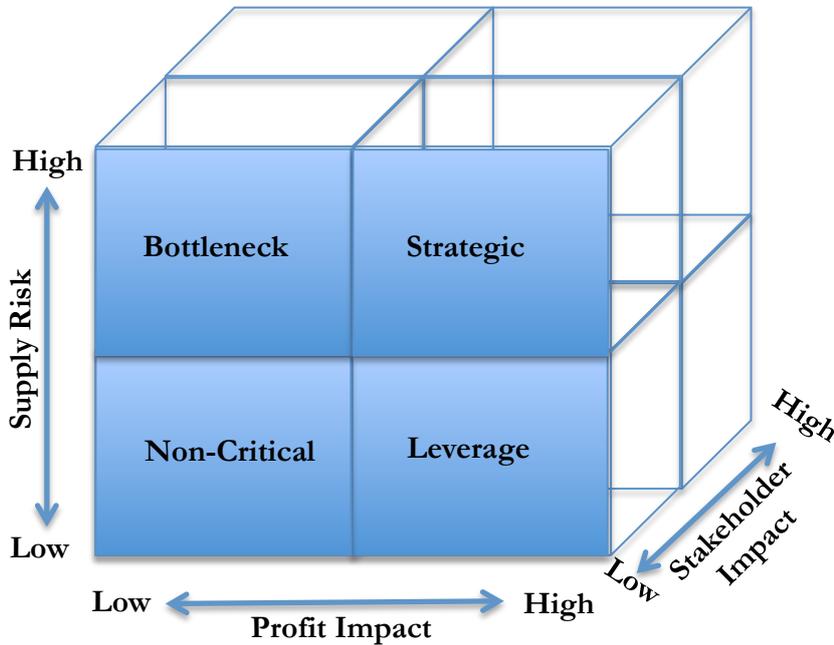


Figure 2-8- Advanced purchase portfolio

Source: Adapted from Arnold & Schimdt (2010)

Kraljic’s initial purchasing portfolio of four different strategies for purchasing through minimizing risk and leveraging buying power still hold true in the above diagram as categorized as low stakeholder impact category. The difference lies in the third dimension representing the four strategies for increased sustainable purchases with high stakeholder impact.

Non-critical purchases categorized, as high stakeholder impact should have the focus on reducing transaction costs through efficiency of processes. As stakeholder impact is high, standards need to be considered. However, it is suggested that for low risk and low value items that firm resources should not be used in pursuit of standards and third party certification might be an option.

Bottleneck items with high stakeholder impact and high supply risk need to be managed carefully. The emphasis here is on volume insurance and safety stock and due to few suppliers to purchase from it is suggested that industry wide collaboration may be beneficial in addressing stakeholder concerns.

Leverage items with high stakeholder impact, low supply risk and high profit impact promote the emphasis on price competition due the availability of suppliers to purchase from. The price competition among suppliers should be extended to include social and environmental considerations.

Strategic items with high supply risk, profit impact and stakeholder impact should be treated much the same as in the original purchasing portfolio where collaboration with suppliers focused on development is advised (Arnold & Schmidt, 2010).

Other authors have also attempted to categorize the level of collaboration needed with suppliers based on the idea of supplier critically. According to Kovacs (2008) stakeholder salience, meaning the relative importance of stakeholders evaluated based on power, urgency and legitimacy to the focal company, is a key driver of CSR work. Furthermore customers and suppliers are not only necessary but also seen as a company's most salient stakeholders. Thus, the supply chain of a company is its most influential stakeholders and should be a focus in CSR work. A representation of Kovacs (2008) idea of supplier critically is depicted in Figure 2-9.



Figure 2-9 - Levels of environmental demand towards suppliers

Source: Kovacs (2008)

Suppliers often face different environmental demands including no environmental requirements in a non-critical supplier to collaboration needed for a strategic/critical supplier. Environmental reputation is important when selecting non-critical suppliers (Kovacs, 2008). This depiction suggests the idea of going beyond setting standards towards collaboration but tells us nothing about the issues in implementing this approach for critical suppliers.

Collaborative Paradigm and Power Relations

Although most supply chain theory with a sustainability focus mentions the need for collaborative efforts to improve performance with suppliers, Cox (2001) suggests there are situations that it is problematic. It is problematic because of the fact that buyer and seller relationships are constructed on the relative utility and the relative scarcity of the resources that are exchanged between the two organisations. Due to the characteristics of the resources exchanged between the parties, this fact will dictate the power position relative to the other party. A summary of the four basic power relationships and a list of attributes that describe the situations buyers and suppliers are subject to within each category are depicted in Figure 2-10.

ATTRIBUTES OF BUYER POWER RELATIVE TO SUPPLIER	HIGH	BUYER DOMINANCE	INTERDEPENDENCE
		<ul style="list-style-type: none"> • Few buyers/many suppliers • Buyer has high % share of total market for supplier • Supplier is highly dependent on buyer for revenue with limited alternatives • Supplier switching costs are high • Buyers switching costs are low • Buyers account is attractive to supplier • Supplier offerings are commoditised and standardised • Buyer search costs are low • Supplier has no information asymmetry advantages over buyer 	<ul style="list-style-type: none"> • Few buyers/few suppliers • Buyer has relatively high % share of total market for supplier • Supplier is highly dependent on buyer for revenue with few alternatives • Suppliers switching costs are high • Buyer switching costs are high • Buyers account is attractive to supplier • Supplier offerings are not commoditised and customised • Buyer search costs are high • Supplier has significant information asymmetry advantages over buyer
	LOW	INDEPENDENCE	SUPPLIER DOMINANCE
		<ul style="list-style-type: none"> • Many buyers/many suppliers • Buyer has relatively low % share of total market for supplier • Supplier is not dependent on buyer for revenue and has many alternatives • Supplier switching costs are low • Buyers switching costs are low • Buyers account is not particularly attractive to supplier • Supplier offerings are commoditised and standardised • Buyer search costs are relatively low • Supplier has only limited information asymmetry advantage over buyer 	<ul style="list-style-type: none"> • Many buyers/few suppliers • Buyer has low % share of total market for supplier • Supplier is not at all dependent on the buyer for revenue and has many alternatives • Supplier switching costs are low • Buyer switching costs are high • Buyers account is not attractive to the supplier • Supplier offerings are not commoditised and customised • Buyer search costs are very high • Supplier has high information asymmetry advantages over buyer
		LOW	HIGH
		ATTRIBUTES OF SUPPLIER POWER RELATIVE TO BUYER	

Figure 2-10 – The attributes of buyer and supplier power

Source: Cox (2001b)

In the *independence* box neither party has a significant leverage point over the other. This results in the buyer and seller accepting the market price and quality levels for the exchange of resources, both operating at normal returns.

In the *buyer dominance* box depicts the situation where the buyer holds all the leverage. The buyer can begin to stipulate leverage on the basis of cost and/or quality while the supplier continues to operate at normal returns.

Supplier dominance, the supplier holds all the attributes of power and therefore leverage. The price and quality is essentially stipulated by the supplier with little influence from the buyer. This position is often characterized as an isolation mechanism where markets are closed to competitors and high barriers to entry allow for increased incomes to suppliers.

Interdependence is a situation where neither party has significant power to leverage over the other because both parties value the exchange of resources. This power position forces the two parties to work closely together and one that may produce above average returns for suppliers but those returns may be passed on to the buyer or result in innovation benefitting both (Cox, 2001b).

The significance of the matrix itself allows the organisations to define their respective position but also this realization allows firms to attempt to change their respective position into a more favorable one. However with both parties having the desire to move into the dominance category to leverage above average returns it is possible to reside in the interdependence category. This represents a spectrum of possibilities that an organisation could be in with any respective supplier and may vary over time and circumstance (Cox, 2001b).

In addition to helping organisations understand their position within the matrix defined above, Cox (2001a) also mentions the importance of relationship management. He suggested that the decade leading up to the 2000s that “best practice” in relationship management had shifted from the traditional adversarial buyer relationships in favour of long term collaborative ones based on trust and alliances.

At the basis of any buyer and seller relationships, there needs to be a mutual recognition that both parties will benefit from the transaction, however this does not mean that collaboration is necessary or the best way for organisations to interact (Cox, 2001a). The choice between adversarial or collaborative relationship between buyers and sellers is rather simplistic and Cox (2001a) proposes the model in Figure 2-11. He suggests that companies have, more or less, an adversarial view of how to share in value, both seeking to maximize returns through either an arm’s length or collaborative working relationship but it should be noted this is a representation, not a exhaustive list of the situation plays out in reality.

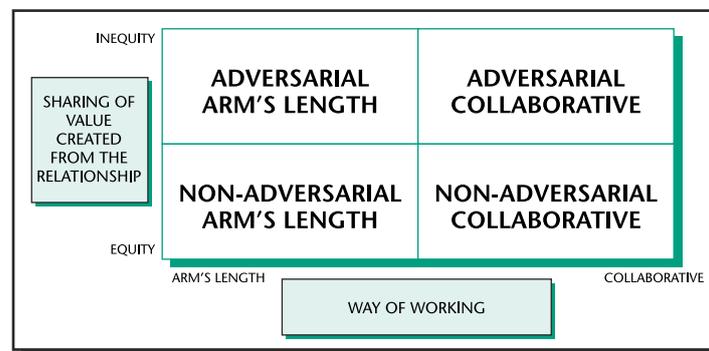


Figure 2-11 – A portfolio of buyer and seller

Source: Cox (2001a)

Cox (2001a) mentions that there may be no one best way to conduct a relationship between two organisations as they have choices about how they conduct themselves within any given exchange. They can choose to pursue symmetrical or asymmetrical relationship management styles. Relationships can and do change over time in light of different circumstances such as uncertainty, motives of the other party and in absence of full knowledge. For this reason some have called for the development of mutual collaboration and information sharing to overcome this. Understanding their power circumstance objectively from the attributes of buyer/seller relationships and also understanding the relationship management choices available to them given the situation they are in, that a more appropriate sourcing strategy can be obtained (Cox, 2001a).

2.3.5 Analytical Framework: A Best Practice Model of Sustainable Supply Chain Management

As observed from supply chain management literature there are several contextual issues related to improving environmental and social compliance of suppliers. These issues broadly stated relate to the importance of purchasing, characteristics of sourcing, managing risk, managing relationships in the supply chain, collaboration as a way to increase environmental compliance and finally, finding a way to address all these issues in as transparent way as possible because in the end reporting to stakeholders the efforts and resources spent on addressing these issues is as important as ever. When attempting to organize and communicate the initiatives undertaken by organisations in this field we can see the root of the issue is finding a pathway to increasing environmental and social compliance throughout

supply chains. Admittedly, there are a number of ways in which to go about solving this but the problem of auditing and monitoring fatigue continue to persist. Increasing supplier performance through the use of collaborative efforts is, as we have seen, a convoluted situation that ultimately still results in conducting auditing and monitoring. However structuring all the issues and focusing on supplier development to decrease the need and number of audits conducted while achieving this a transparent manner could be a real possibility to alleviating some of the audit fatigue industry face while also achieving the end goal of increased environmental and social performance throughout global supply chains.

As mentioned earlier, The Network for Business Sustainability has completed an in-depth review of supply chains internationally. The study was based on 194 articles over a period of 25 years. From this extensive literature review they have created a framework for addressing social and environmental impacts arising from international supply chains. The framework developed is the most comprehensive of its kind and addresses many of the contextual issues mentioned in supply chain management theory. Figure 2-12 is a representation of the framework that will be used to compare how the sustainability schemes identified in the methodology are working to address the complex web of issues identified from supply chain management theory.

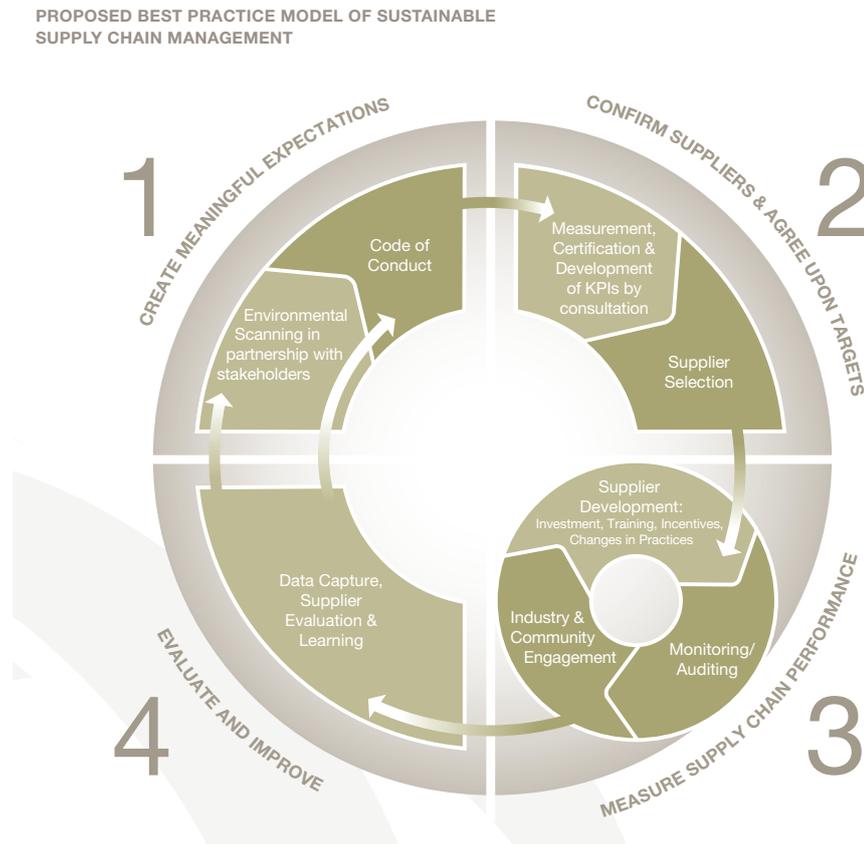


Figure 2-12 – Best practice framework of sustainable supply chain management

Source: (Brammer, Hoejmoose, & Millington, 2011)

1. Develop Expectations

The first step in the framework consists of developing expectations with suppliers. This area is focused on engaging stakeholders around the firm, especially with suppliers to develop policy procedures to encourage suppliers to be more open about the compliance issues that may fall outside of the scope of their policy development. Through stakeholder engagement it

will influence policy development to include contextual issues and provide cultural sensitivity to local issues faced by suppliers that could provide more accurate and legitimate advice. This also requires reasonable goal setting with suppliers that they can buy into and begin to reduce the barriers to implementation that lead to improve environmental and social performance.

The two sub aspects of this category include environmental scanning as well as stakeholder involvement in code of conduct development. Environmental scanning consists of improving the ability of organisations to anticipate new issues and challenges that arise in the context of international supply chains. Stakeholder engagement in development of codes of conduct, especially with suppliers, improves the ability of organisations to design them to be applicable and legitimate in their area of operation.

Specific Practices Related to Environmental Scanning:

- Coordination with expert academics and NGOs in assessing and developing issues oriented workshops.
- Country specific risk analysis of suppliers through local engagement and NGOs.
- Media scanning through various industries around the globe to identify patterns of issues in geographical context and their relevance to business.
- Frequent communication with managers on site.

Specific Practices Related to Stakeholder Engagement of Codes of Conduct.

- Detailed and objection information sharing with suppliers.
- Frequent interaction with suppliers through multiple methods of communication such as web, CoCs, and training.
- Acknowledgement of cultural issues, challenges within supplier dialogue.
- Communication of CSR values.
- Translation of company documents to local languages to enhance understanding and communication (Brammer, Hoejmoose, & Millington, 2011).

2. Agree on Targets

Consists of two subcategories of measurement, certification and development as well as supplier selection. Supplier development is not restricted to existing suppliers and can be used in the selection of new suppliers. The latter implies that organisations can and are encouraged to accept suppliers that currently have low sustainability performance based on a step-by-step approach to improve performance over time, developing capabilities. The practice in this area focuses on developing sustainability performance metrics that are discussed and agreed upon. This approach to new suppliers establishes buy-in from the supply side, highlights potential issues with respect to the supplier's ability to meet them and could be included as part of the selection process. For existing suppliers a variety of metrics to measure performance could be part of the ongoing discussions with respect to sustainability improvement.

Specific Practices Related to Developing Targets for Sustainability

- Exploring and raising issues and awareness with suppliers through seminars allowing the opportunity for supplier led solutions.
- Developing key performance indicators (KPIs) with suppliers that will be used to evaluate them.
- Benchmarking KPIs across suppliers and industry for the opportunity for scrutiny and strength.

- Stakeholder consultation, including NGOs to evaluate the criteria in practical terms as well as to ensure validity.
- Establishing clear process through which reliable data can be obtained (Brammer, Hojmosse, & Millington, 2011).

3. Supplier Evaluation and Development

The most detailed section of the framework surrounds the category of supplier development, auditing and monitoring as well as industry engagement. The central aim of this category is to evaluate suppliers on sustainability in international supply chains but centers on an approach to avoid alienating suppliers as a way to increase trust through collaborating, sharing information on the origins and characteristics of sustainability risks. Creating the idea of long-term relationships and freedom from contract cancellations in the worst of cases creates conditions for deeper investments into training, equipment and processes that support improved environmental and social performance. This managerial attitude towards collaborative working in other areas may also influence the legitimacy of buyer's policies in the local context and generate information and learning opportunities about the supplier's position within the community. This could also aid in the ability to realize unanticipated harms occurring within the local context. Finally, evaluating progress in relation to unmet sustainability goals allows the focus to be shifted to uncovering the underlying causes of non-compliance improving future performance improvements.

Specifics Relating to Evaluating Progress in Meeting Sustainability Targets

- Remediation plans that structured and clear.
- Implementation of probationary periods that give suppliers the ability to develop and implement remediation plans.
- Recording incidences of non-compliance to be evaluated over time.
- Leverage local community based evaluators to gain information on local conditions in supplier factories and their impact on the community.
- Rewards system focused on publicly recognizing the efforts of suppliers in the area of sustainability improvement.

Specifics Relating to Aiding Supplier Development and Capacity Building

- Company staff involved in on site training
- Collaborative efforts with suppliers focused on developing the ability for suppliers to capture sustainability related data.
- Training to promote awareness and knowledge through issue based, role-playing, multilingual materials and manuals.
- Hosting cross supplier platforms to share experience and knowledge.
- Reducing supplier numbers if possible to focus attention and development resources.
- Focus on fostering long-term relationships with suppliers through incentives perhaps by providing price premiums to compliant suppliers.
- Aid in financing of equipment and processes that improve working conditions, provide new technology and improve health and safety (Brammer, Hojmosse, & Millington, 2011).

4. Evaluate and Learn

This category is focused on the ability of organisations to develop the ability to learn from the experiences gained from managing sustainability throughout their supply chains. It also focuses on the key issue of transparency and accountability by developing capacity to realise and communicate achievements to external stakeholders. Transparency and accountability in

terms of sustainability also help to reaffirm commitments to improvement initiatives through providing a process, which objectively evaluates progress. Communicating both internally and externally reassures stakeholders that programmes within the organisation have substance and should be leveraged in making further improvements. Finally analysis and evaluation of progress allows management to revise and renew expectations and practices in the sustainability area.

Specifics on Practices Related to Learning and Communicating

- Thorough and verified reporting of sustainability data in the supply chain including case studies of best practice and examples of non-compliance.
- Industry collaboration centered on hosting problem sharing workshops and establishing supplier-benchmarking groups.
- Quarterly reviewed performance progress reports evaluated by a taskforce made up of multiple stakeholders (academics, NGOs, experts within the organisation) to help identify trends and explore solutions (Brammer, Hojmosse, & Millington, 2011).

Given this comprehensive framework for best practices in managing environmental and social issues in international supply chains provided by the Network for Business Sustainability sets the basis with which to analyse how the GSCP and Sedex can work together to fulfill the elements of this framework. In order to accomplish this, a detailed and in depth description of how the GSCP and Sedex operate is necessary.

3 Case Studies

Chapter 3 presents the two initiatives from a theoretical point of view. This provides a broad basis for the understanding of how these initiatives are attempting to alleviate audit fatigue and improve environmental and social compliance in activities throughout supply chains while providing structure and transparency in assessment of this work to stakeholders.

3.1 The Supplier Ethical Data Exchange (SEDEX)

3.1.1 Background

The Supplier Ethical Data Exchange is a not for profit organisation committed to improving responsible and ethical business practices in global supply chains. SEDEX launched in 2001 by UK retailers has grown to 25,000 + members, including more than 23 industry sectors and has members from over 150 countries. The top three industrial sectors that are members of SEDEX are Produce (22.3%), Packaging (13.0%) and Clothing (11.7%), whereas the IT, Telecomm & Electronics represents (0.9%) (Sedex, 2011). It has become the world's largest collaborative platform for ethical supply chain data. Of SEDEX 25,000+ members, 38.6% are located in Europe, 38.1% in Asia & Australia, 9.9% in Africa & Middle East, 7.7% in South & Central America and 5.5% in North America (Sedex, 2011). SEDEX advertises itself as an effective supply chain management tool, helping to reduce risk, protects reputations and improves supply chain practices (Sedex, 2012a). To this end their core product is a secure online database that allows its members to store, share and report information on 4 key supply chain areas including, labour standards, health and safety, the environment and business ethics. For buyers, SEDEX offers an electronic platform for the collection and analysis of information on ethical and responsible business practices throughout supply chains. They offer a variety of tools that to help track supplier performance as well as offer a risk assessment tool. For suppliers, SEDEX offers an efficient and cost effective way to share information with multiple customers reducing duplication of paper work, saving time and money (Sedex, 2012b). Suppliers fill out a standardized self-assessment questionnaire and have complete control over which customers view information they upload to the system that can also include other ethical data such as audit reports and certifications from Business Social Compliance Initiative (BSCI), Worldwide Responsible Accredited Production (WRAP), Social Accountability International (SA 8000), and International Council of Toy Industries (ICTI). However, it remains the users responsibility to decide whether the audit is acceptable to them. Having the ability for suppliers to share their data with multiple customers allows them to reduce the need for multiple audits freeing up resources for a focused effort on real improvements (SMETA BPG, 2012). Figure 3-1 shows a simple representation of the SEDEX data-sharing platform.

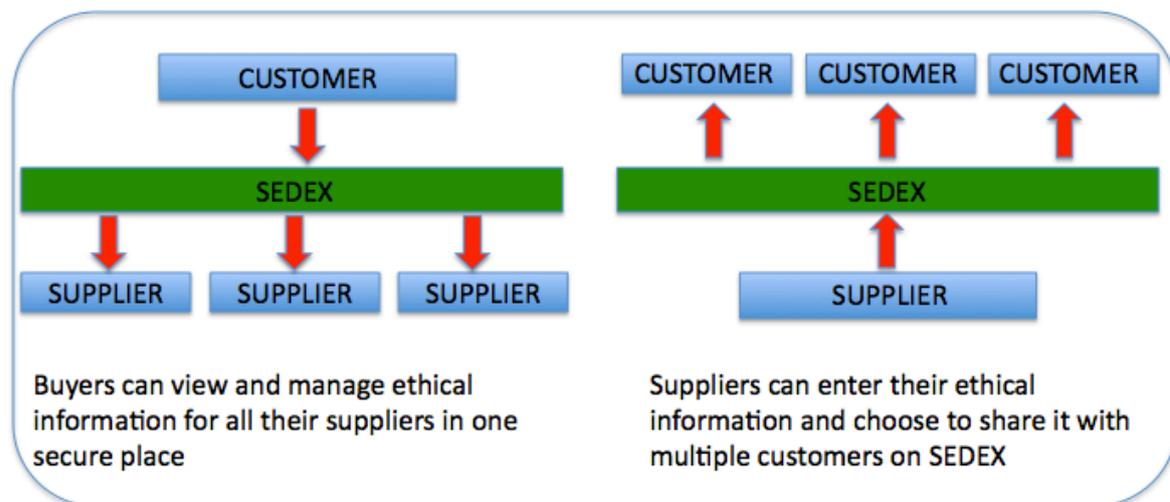


Figure 3-1 – Sedex basic operating structure

Source: Adapted from (Sedex, 2012b)

SEDEX as an international NGO also produces an annual report for its members and the general public. Information contained in the document includes a number of useful facts to the supply chain community as well as its expenditures, new developments and where their membership base is growing. Perhaps the most useful set of information for practitioners concerns the auditing data that SEDEX obtains worldwide. In 2010/2011, SEDEX reports that it hosts data on 48,043 audits, adding 9,119 audits during the year, recorded a total of 81,402 corrective actions with 20,906 added during this time frame (Sedex, 2011). This is a depiction of the size of the organisation and the numbers associated with the amount of data within the SEDEX system that might intrigue potential members. In addition to this SEDEX reports the top ten regional areas of the world the uploads of the past year have come from, identifying to potential members the hot spots of their work. The top three places audit information was uploaded from, with no surprise, are China (4,546), India (717) and Turkey (487) (Sedex, 2011). They also provide a list of the top five non-compliance areas reported from their members which for 2010/2011 from top to bottom were: fire safety, health & safety management, overtime hours, storage and use of chemicals and worker health (Sedex, 2011). Finally this document outlines their plans for the future, plans which include: provide better risk management tools, increase supplier engagement, launch an online learning management system and further its commitment to working with other industry organisations to drive collaboration, specifically with the GSCP.

3.1.2 Services Available to All Members

Among the services offered under the specific membership categories, there are a number of other common services available to all members of SEDEX. Services available to all SEDEX members include access to multi-lingual helpdesk, opportunity to participate in future SEDEX developments, member events that facilitate knowledge sharing, quarterly news letter updating current industry news, SEDEX activities and links to other collaborative initiatives and projects (Sedex, 2012b). Other support materials are available that are aimed at the convergence of standards and auditing practices. They have started the SEDEX Members Ethical Trade Audit (SMETA) that was developed by the SEDEX Associate Audit Group (AAG) together with a variety of stakeholders, also relying on the work done by the GSCP. The purpose of this group is to establish a best practice reference framework for auditing and reporting. Under the heading of SMETA, SEDEX provides three key tools that members can leverage including a public Best Practice Guidance (BPG) document on conducting ethical

trade audits, a common audit report format and a common corrective action report format. These tools are not a certification process, a new method for conducting audits or a code of conduct but rather a compilation of good audit practices (Sedex, 2012c). SEDEX hopes by making their BPG for auditing public, that companies will drive convergence to one global audit protocol (SMETA BPG, 2012).

3.1.3 SMETA Audits Best Practice Guide (BPG)

The BPG formulated by SMETA is designed to articulate the keys steps in planning, performing and documenting an audit against SEDEX reference tools. This was initiated after member demand for an ethical audit format that could be more easily shared. The purpose is to reduce duplication in audit efforts benefiting retailers, consumer brands and their suppliers. There are two types of audits conducted within the SEDEX system. There is a 2-pillar audit that is based in reference to labour standards, health & safety and additional elements such as entitlement to work, subcontracting and home working and finally a shortened environmental assessment. The 2-pillar audit consists of the both the mandatory elements of any SMETA audit, which are labour and health & safety. The audit guidance for a 2-pillar audit has been developed in reference to the Ethical Trading Initiative (ETI) base code that can be augmented to carry out an audit against a wide array of other standards (SMETA BPG, 2012). The ETI base code for a SMETA audit is based on international standards and International Labour Organisation (ILO) conventions. The other type of audit conducted is a 4-pillar audit that includes the elements previously mentioned but expands the environmental section and includes a category on business practices. The additional requirements of a 2-pillar and 4-pillar audit outside the ETI standards for health & safety and labour are developed through multi-stakeholder consensus of best practices. These types of audits are developed to ensure that SEDEX members can share a consistent global auditing procedure with full transparency on standards and protocols used. The BPG developed by SMETA is not only a compilation of social auditing best practices to ensure consistency and transparency of audits for brands and retailers but also aids those commissioning the audits by specifying the methodology to carry them out (SMETA BPG, 2012). The methodology developed by SMETA is designed to be used in conjunction with auditors own systems as a way to establish a common set of criteria for use within the SEDEX platform. This audit methodology is available to any auditing company whether they are a member of SEDEX or not and is suitable to a wide array of industries regardless of size of operations (SMETA BPG, 2012). It is important to point out again that SMETA BPG does not certify any auditor or auditing body but relies on the existing controls and accreditations that already exist. Therefore, it is up to the commissioner of the audit to ensure the qualifications and competency of the firm/person used to carry out the audit under this methodology.

The BPG also contains several categories to ensure that their process can be carried out correctly. The document contains several guidance elements such as suggested time plan for audit, suggested number of worker interviews per company size, training and experience requirements for auditors, suggested pre audit communications and detailed audit execution plan (Sedex, 2012c). In addition to the BPG SEDEX offers non compliance guidance on issue severity and verification methods, corrective action guidance that suggests common ways of making improvements, guidance for auditors carrying out an SMETA audit and guides for supplying sites who will be audited.

3.1.4 Membership

A membership

SEDEX has 3 types of paid membership categories that have access to different services offered by the organisation. The three levels of membership are labeled A, AB and B that are

open to any organisation to join, anywhere in the world. A membership is most appropriate for retailers, government agencies and charities that wish to view and run reports of their supplier's ethical data (Sedex, 2012d). These members are largely purchasing companies. A membership allows companies such as Marks & Spencer, MassMart, and Tesco to have access to SEDEX's risk assessment reference tool helping to identify risks in their supply chain and prioritize resources accordingly. This risk assessment tool was developed in conjunction with Maplecroft, one of the world's leading risk management solution providers. The risk assessment tool uses the data from the supplier's self-assessment questionnaire to calculate an overall risk score. The score comprises of various data from the supplier such as geographical area of operation, employment site function, product or service category, type of purchase, employment patterns of migrant and casual workers etc. (SMETA BPG, 2012). The self-assessment questionnaire has a number of benefits. It allows auditors to view the site information of a supplier before the audit, aiding in planning to focus on high risk areas but by also completing the questionnaire prior to the audit it could assist supplying sites in identifying issues and developing solutions on their own.

In addition to this service A members also benefit from having access to supplier's self assessment data such as audit reports, corrective action plans and certifications that must be provided in a timely manner following their upload of the self-assessment questionnaire (SMETA BPG, 2012). Specifically, A members benefit from having the visibility of this information, dedicated account management and ongoing support, training to assist members implement the SEDEX programme within the company and at supplier level and allows them to run reports on supplier data tracking progress on improvements of ethical performance over time (Sedex, 2012d). They also have the option to pay for additional services such as a code of conduct acceptance programme, which helps communicate their code to suppliers as well as help track supplier responses. Another extra fee service provides assistance with the entire audit process from booking the audit to corrective action plans to keep their audit programme on track. Finally A members can also leverage in depth analytical reports together with SEDEX data services team that highlight trends and alert them to potential risks (SMETA BPG, 2012).

AB membership

AB membership is most appropriate for companies wishing to view and run reports on their supplier's data but also to manage their own facilities and to share information with their customers. AB members are typically both purchasing companies and supplying companies. AB membership allows companies such as ADIDAS, PepsiCo and Unilever to have largely the same benefits as A members while also allowing them to share their company information in one secure place (Sedex, 2012e).

B membership

B membership is most appropriate for companies wishing to enter ethical information for their site of employment and share this with multiple customers. B members are typically supplying companies. This secure online database allows these members to complete a self-assessment questionnaire regarding their ethical standards under the four key areas SEDEX has outlined as a priority. It allows these members to upload audit results, certificates and corrective action plans they have implemented. In addition it allows these companies to request an ethical audit for the purpose of sharing this with their customers. It is important to note that B members simply joining SEDEX does not certify the supplier that they are in compliance with ethical standards as SEDEX is not a standard setting body but simply reflects that the organisation is committed to continuous improvement (Sedex, 2012f).

Membership Fees

The membership fees that SEDEX charges are different for the 3 categories. B members are charged an annual fee of £33.90 and represent the only membership level that is standard regardless of turnover (Sedex, 2012g). A and AB membership contains both a one-off membership fee as well as a differentiated annual subscription fee based on annual turnover. The Table 3-1 depicts this differentiated payment structure. The joining fee includes training and account management as well as all the other services mentioned previously.

Table 3-1- Sedex Payment Structure

Turnover	Joining Fee	Annual Subscription
> £15 billion	£32,340	£25,740
£8-15 billion	£25,220	£19,320
£5-8 billion	£18,200	£12,900
£2-5 billion	£11,130	£6,480
£1-2 billion	£5,400	£3,900
£501 million – 1 billion	£4,740	£3,240
£101-500 million	£4,140	£2,640
£10-100 million	£2,580	£1,980
> £10 million	£1,920	£1,320

Source: Adapted from (Sedex, 2012g)

3.2 Global Social Compliance Programme (GSCP)

3.2.1 Background

The Global Social Compliance Programme (GSCP) is a not for profit business driven programme that focuses on continuous improvement of social and environmental conditions throughout global supply chains (GSCP , 2012a). Started in 2006, it is a collaborative effort created by and for global buying companies that often share supply bases. With increasing focus on social and environmental impacts arising from global supply chain activities from a variety of stakeholders, global buying companies have responded by implementing various codes of conduct, individually or collaboratively as well as voluntary monitoring schemes to address these concerns. The implementation of these codes has brought about tangible benefits to workers in the most sensitive countries, however in 2003 the World Bank estimated that there were over 1,000 voluntary codes of conduct in existence developed by individual companies (World Bank, 2003). This rapid increase of codes, audit duplication and a wide variety of approaches to implementation has lead to a duplication of efforts to achieve social and environmental improvements (GSCP , 2012a). More importantly as the GSCP (2012), states on their website, this has “sent a confused message to suppliers, and to public authorities, as to what is expected of fundamental labour rights and environmental practices” (GSCP , 2012a).

Since 2006, the GSCP has grown to 37 task force members, which include companies such as Wal-Mart, Hewlett Packard and Unilever that recognize the need for consistency of codes in order to better focus on solutions to the root causes of non-compliances throughout global supply chains by discussing, understanding and sharing best practices (GSCP , 2012b). The task force is the foundation for the programme as members work collaboratively towards building and steering the programme, benchmark and review their current system and openly discuss short and long term issues in order to map out existing priorities, define common guidelines and strengthen or develop collaborative approaches to deliver a sustainable approach to improving conditions in global supply chains. Joining the task force does not require any adoption of the GSCP methods and members can be as active as the company wishes but are subject to some minor requirements (Appendix B).

The GSCP is a global cross-industry platform that exists to promote knowledge exchange and best practices in order to build comparability and transparency between existing social and environmental compliance systems. By developing and providing reference tools and processes that describe current approaches to solving root causes of non-compliance the GSCP intends to enable mutual recognition between existing systems using their equivalence process that will encourage a common interpretation of working and environmental requirements and their implementation at supplier level (GSCP , 2012a). The reference tools created by the task force are available from their website to anyone wishing to use them including multi-stakeholder initiatives, auditing bodies, GSCP member companies and non-member companies. Membership in the GSCP is currently open to any buying company worldwide and they do not have to be actively involved in the forum to benefit from the GSCP reference tools.

3.2.2 Reference tools:

The reference tools are being created by the GSCP to help promote convergence to a single set of standards based on best practices from some of the leading companies worldwide that uphold relevant international standards, where they exist, and provide common interpretation of fair labour and environmental requirements as well as their implementation (GSCP , 2012c). It is important to mention that the GSCP is not a certification body, a monitoring scheme or substitute for existing initiatives but rather an intermediary that seeks to build consensus among leading firms wishing to drive convergence in social and environmental compliance standards throughout global supply chains. The reference tools are developed through a 4-step process by an expert panel of task force member companies as depicted in Figure 3-2.

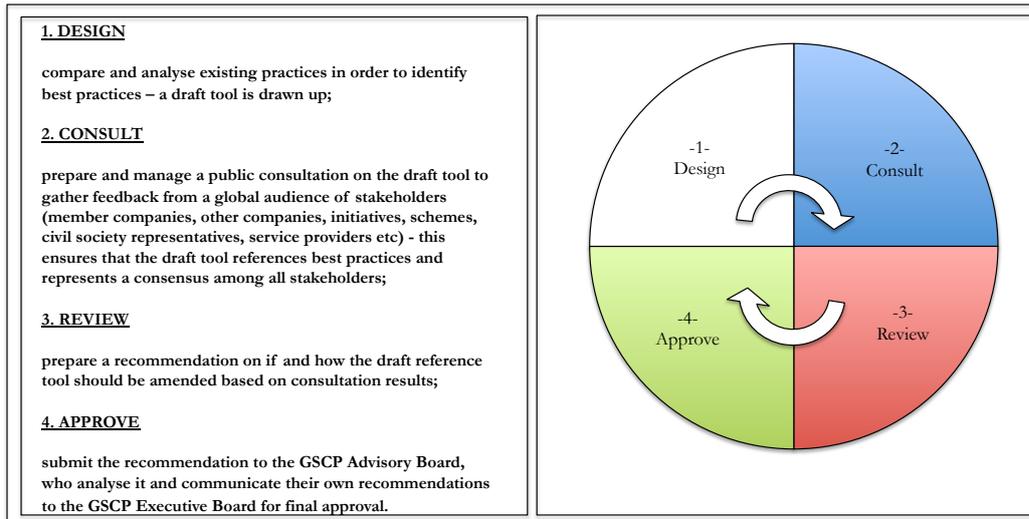


Figure 3-2 – Reference tool 4-step Process

Source: Adapted from (GSCP , 2012c)

The reference tools can be used voluntarily to complement any organisation’s social and environmental supply chain activities or be used to benchmark their current systems against the GSCP framework. The reference tools are currently still in development but include categories such as, *reference requirements, audit process and methodology, auditing competence, management systems* and *environment reference tools*. These reference tools are continually updated and reviewed so that it reflects current best practices and represents wide consensus among stakeholders (GSCP , 2012c). The completed reference tools available for download by any visitor to the GSCP website currently are *reference requirements* including a reference social and environment code of conduct as well as implementation guidelines for suppliers, *audit process and methodology* including both a social and environmental audit process and methodology, and finally the *auditing competence* category including a social and environmental reference tool for this purpose. The yet to be completed elements of the framework are *audit competence* training syllabus and *management system* for buying companies. These reference tools represent what is typically provided by a monitoring system however the voluntary nature of this programme is designed to depict what an adequate system may look like with regards to social and environmental requirements in global purchasing companies (GSCP, 2012d). The GSCP does not monitor nor audit the compliance of a user’s supply chain programme against these reference tools or any standards and thus the adoption of these tools or standards are not proof of due diligence (GSCP , 2012c). It is up to the user to ensure compliance and the use of the GSCP logo or claims of membership comes with strict terms and conditions that can be found on their website. These reference tools are the first four steps in a six step process aimed at building capacity in partnerships with suppliers as seen in Figure 3-3.

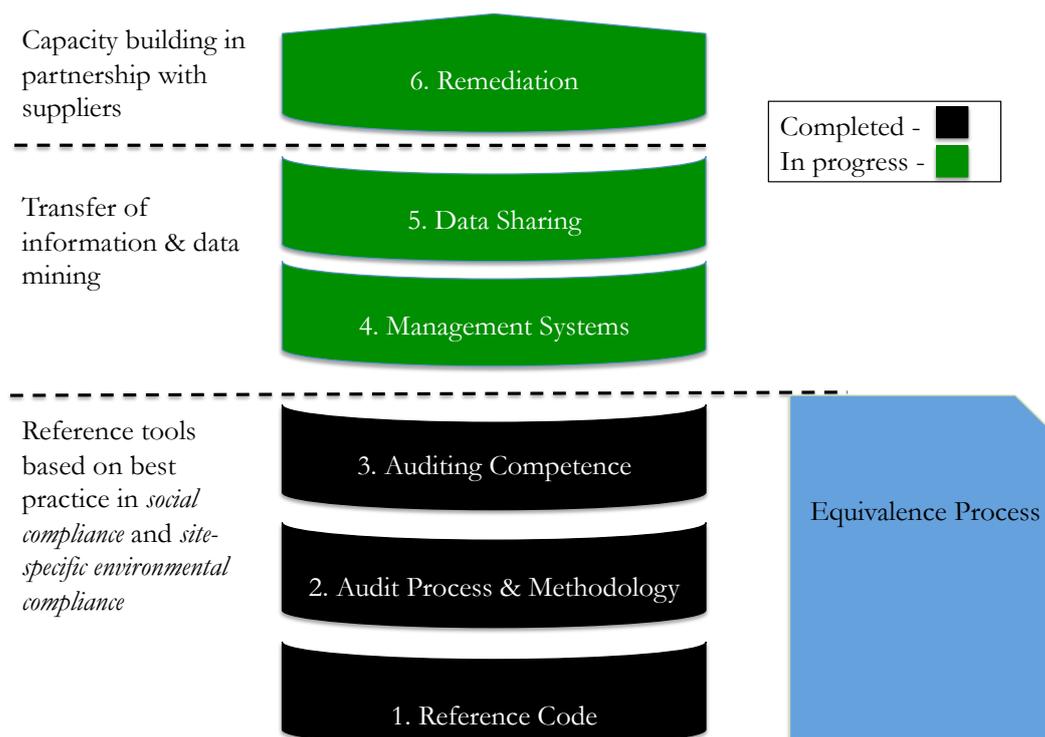


Figure 3-3 – GSCP working plan

Source: Adapted from (GSCP, 2012d)

3.2.3 The equivalence process:

Due to the large variation in social and environmental compliance standards as well as audit process and methodology that buying companies place on their suppliers it is difficult for these buying companies to recognise and accept audits from other social/environmental schemes. To combat this the GSCP works to overcome this problem by allowing these buying companies to benchmark their standards against the best practices developed by the expert panel of GSCP members (GSCP, 2012e).

Buying companies, initiatives, auditing bodies, NGOs, public authorities, certification bodies, and standard setting bodies are all able to use the equivalence process to benchmark supply chain compliance efforts. The purpose of the process is to drive continuous improvement in the content of standards while preserving their specificities and to increase mutual recognition through objective comparison (GSCP, 2012e). It is a fee-based process with differentiated prices associated with members of the GSCP and non-members. It starts with a self assessment of the current internal tools and processes developed by the user including their supplier code of conduct and audit policy, comparing them against the available GSCP reference tools where the level of equivalence is judged in a standardized process online. This allows the user to identify gaps in requirements or implementation procedures as well as make the necessary improvements before the following steps. The next step is the equivalence assessment done by an independent, objective third party that is responsible for the review of the self-assessment completed in the first step. Once validated for accuracy and completeness by a panel of experts, it allows for the sharing of the equivalence assessment with other users. The equivalence process is designed to provide an understanding of the content of different standards and monitoring systems, allowing users to decide if the necessary elements are present to enable mutual recognition of other firm's efforts in supply chain compliance

(GSCP, 2012e). As a result of this process shared audit results as well as further collaboration and recognition between service providers and their clients will lead to reduction of duplication of audit efforts increasing efficiency in supply chain activities and allow more resources dedicated to capacity building with suppliers, largely regarded as an effective method to improving social and environmental practices of these firms. Below is a representation of the estimated time of the equivalence process conducted by the GSCP (Figure 3-4).

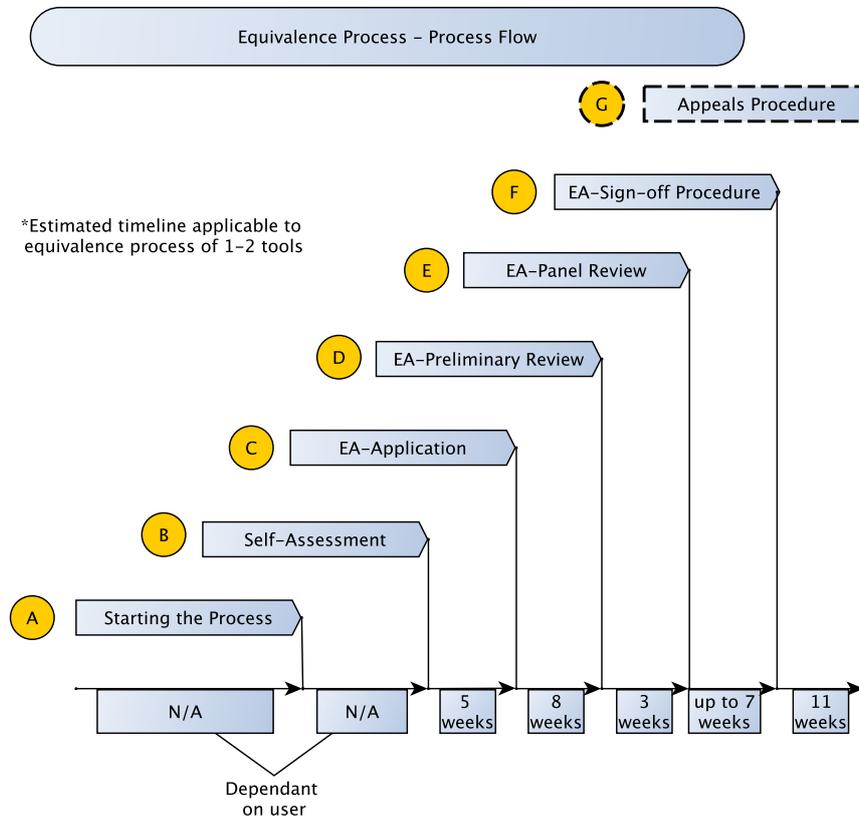


Figure 3-4 - Equivalence timeline and key steps

Source: Adapted from (GSCP, 2012l)

Fees for Equivalence Work

The fee programme is a progressive system that contains three parts, a fee for the self-assessment, a fee for the equivalence assessment and a fee for the links service.

Self-assessment fees give the organisation access to the equivalence web based platform for one year. During this time the organisation is allowed to complete one or more self-assessments against one or more GSCP reference tools. The fee covers the cost of rights and maintenance of the system Table 3-2 provides a summary of these fees.

Table 3-2 – Self-assessment fees

In Euros (€)	Self-Assessment Fee per year
For Members	2,000
For Non-Members	4,000

Source: Adapted from (GSCP, 2012k)

Fees for the *equivalence process* are set based on a per tool basis to reflect the time the Equivalence Assessment Panel Members require to assess the tool. The time taken will vary depending on number of tools desired to be assessed by the user. The fee covers the time spent by the panel of experts to assess the tool, logistics of phone calls, meetings etc. and administrative costs incurred by the GSCP. Table 3-3 provides a summary of these fees.

Table 3-3 – Fees for equivalence process

In Euros (€)	For Members	For Non-Members
For 1 tool	5,090	5,664
For 2 tools	6,820	7,548
For 3 tools	8,550	9,341
For 4 tools	10,280	11,315
For 5 tools	12,010	13,199

Source: Adapted from (GSCP, 2012k)

Fees for the *link service* allow users that use collaborative tools (owned by an initiative) to be granted access for those tools to be subject to the Equivalence Process by the GSCP. Table 3-4 provides a summary of these fees. Once the results are granted the user will be able to share and compare these results as well as the Equivalence Assessment for their own tools with other users on the platform. An example of how this service works is provided in Appendix C.

Table 3-4 – Fees for link service

In Euros (€)	Links Service
For Members	500
For Non-Members	750

Source: Adapted from (GSCP, 2012k).

3.2.4 Data Sharing:

The fifth step of the GSCP framework to improving social and environmental performance in global supply chains as seen in Figure 3-3 is data sharing. The aim of this step is to develop protocols for data sharing analysing best practices currently being used in other initiatives. The purpose of this analysis is not to create another data sharing system but it is focused on enabling current data sharing platforms to communicate more effectively in order to reduce duplication of audits, improve transparency and make the best use of the information sourced through audits. This step of the framework is currently being addressed by an expert working group comprised of GSCP members as well as stakeholders from existing data sharing platforms such as SEDEX, WRAP, SA 8000, Fair Labour Association (FLA) and other leading firms that specialize in sustainability performance management software (GSCP, 2012f). The work started on this step in October 2010 and the working group is currently attempting to understand the current data exchange platforms including what information is shared, how it is shared, to what extent and purpose and who owns this data. The objective is to realize the barriers to this process and how to overcome them (GSCP, 2012f).

3.2.5 Remediation & Capacity Building:

The ultimate goal of the GSCP's work on the convergence of standards in global supply chains is to eliminate the root causes of non-compliance by developing and building competence in supply bases to allow them to effectively implement their own solutions. Having used the reference tools to converge standards, a more consistent message from international buying companies on monitoring processes and tools will allow them to be in a better position to work collaboratively on improvement of social and environmental practices through capacity building at supplier sites (GSCP, 2012g). Currently the GSCP has three working groups in the development of remediation and capacity building, which are: Social and Labour Management Systems for Suppliers, Reference Models for the Implementation of the Environmental Module and Capacity Building Workshops.

Social and Labour Management Systems for Suppliers:

To aid suppliers in meeting compliance with standards and continually improve their social and environmental conditions, buying companies as well as other initiatives have begun to implement various management systems for supplying companies. The current problem with this arrangement is the lack of standardization globally for these systems and this has led to duplication, confusion and inefficiency. To combat this the GSCP has set of a centralized expert working group to define common requirements for these systems. In the development of this reference tool the GSCP has sent out questionnaires to the suppliers of their 35 members to identify and agree on the best existing practices for the core requirements of such systems that will provide consistency and avoid duplication of efforts. The first draft of the tool was completed in February of this year and now being reviewed by the GSCP members, expert working group and other stakeholders (GSCP, 2012h).

Reference Models for Implementation of the Environmental Module:

The reference tools for environmental compliance including reference requirements, implementation guidelines, audit processes and methodology, and audit competence have been completed in 2010 and are being piloted by companies at factory level. The objective of this aspect of remediation and capacity building is to develop an approach to scaling up these activities and making them mainstream. This is yet another effort to drive convergence in standards setting. To do this an expert working group has been formed of GSCP members to define a common approach for assessing and monitoring environmental compliance, develop protocols for training and capacity building in environmental management and integrate business incentives for encouraged participation throughout global supply chains (GSCP,

2012j). The drafting of the tool analyse best practices currently used in industry and will include expert input from a variety of stakeholders from within the GSCP as well as NGOs, other initiatives, and suppliers.

Capacity Building Workshops:

Capacity building is a concept that practitioners have trouble conceptualizing with much confusion surrounding the details of implementation. Some regard it as a corrective action plan while others regard it as simply training. The real problem as the GSCP (2012) states it, “is there are a lack of resources dedicated to the topic and a lack of structure to scale these efforts up in a meaningful way”. To deal with this problem the GSCP has organized a series of workshops in order to provide a common definition of capacity building as to aid in the understanding of how it has been implemented in practice by different companies in different locations around the world. The output of these workshops will be a capacity building framework that has been built on existing examples of how auditing and capacity building can work in harmony. The framework in development will have different opened source models that can be adapted and replicated by companies based on their individual needs. The workshops are conducted in 4 different locations throughout 2012 and 2013 after which the results from each workshop will be evaluated by an expert working group that is responsible for framework creation (GSCP, 2012j).

In addition to this the GSCP has started regional networks that focus on the major sourcing regions of their members. These are coordinated working groups comprised of member companies local compliance teams, local buyers and in the future will include other stakeholders including local civil society, government and suppliers. The regional teams are responsible for gathering information on remediation and capacity building efforts through local knowledge platforms, work collaboratively on specific issues to the region through local implementation platforms and communicate the GSCP’s message to increase participation and understanding of the programme to regional audiences through local awareness and engagement mechanisms (GSCP, 2012g). The first of these regional networks has been established in China this year. Finally the GSCP also has a forum on remediation during general meetings where companies and other stakeholders can discuss common issues, exchange experiences and strengthen collaborative approaches.

4 Analysis

In this chapter the empirical findings from the initiatives studied are analysed with reference to the analytical framework from a theoretical and practical perspective described in the methodology section and presented in detail in Chapter 2. Results are discussed in relation to the literature and expanded on where particularly relevant to the research.

In analysing the two chosen initiatives Sedex and the GSCP through the lens of the best practices framework described at the end of the literature review will reveal how closely these initiatives match the academic view on how sustainability in the supply chain should be addressed. It should be noted the stark difference between the two initiative approaches. Although they have essentially the same goals of improving social and environmental performance throughout supply chains, they operate quite differently. Sedex is focused on sharing audit data while also attempting to harmonize audit criteria. GSCP has a much more broad focus but includes sharing of audit data and harmonizing audit criteria citing Sedex as an example of good practice in this area. The main difference is that the GSCP extends beyond the audit realm to include harmonizing sustainability criteria placed on suppliers and has a focus on remediation and capacity building at supplier sites.

In reality these initiatives are not competitors but complements. However the choice remains to analyse them separately through the lens of the framework illustrating the fact that sustainability in the supply chain has a vast variety of issues and while focusing on one aspect is helpful, approaching it through a broad perspective may lead to improved performance in the supply chain over time. In addition to this analysis, supplemental information will be injected from interviews with practitioners working with both initiatives as a reflection of how these organisation aims (increased compliance, reducing audit fatigue, increased performance) compare with the results in reality and the remaining challenges needed to be addressed in the future development of these schemes.

4.1 SEDEX Through the Best Practices Framework

Develop Expectations:

The two fundamental aspects of this stage in the framework refer to a robust environmental scanning programme and engagement with stakeholders on organisation policies to meet local supplier conditions. With regards to environmental scanning, although not explicitly stated by Sedex occurs to a degree. From the literature on their website it is evident that they mention continuous improvement processes that involve work with local NGOs and government. Through this process new issues arising in the supply chain management field would be captured and noted. Due to the perceived manner in which this information would be revealed such as seminars, conferences and meetings, suggests that it is more reactive in nature taking time to be reflected in Sedex initiatives. Sedex in this regard conducts a more proactive approach through its quarterly newsletter that not only reflects Sedex news but also news from various industries. An even more proactive approach would be to provide more explicit involvement of researchers in the field. Another way the framework suggests to implement the process of environmental scanning is through risk analysis of supplier locations. Sedex has a robust risk analysis process built up through collaborative efforts with software providers.

With regards to stakeholder involvement Sedex works with a number of other initiatives and NGOs. They provide training to companies as well as suppliers in a variety of ways. They host online and in person training sessions for all membership levels at individual companies or at their headquarters in London. They also have their documents available in nine different languages as well as a multilingual around the clock helpline for members. They have multiple channels of communication with suppliers and one of the ways in which this is done is through codes of conduct. Sedex audit group relies on the Ethical Trading Initiative's (ETI) base code as a prerequisite to conducting audits using Sedex guidelines. This base code reflects a multi-stakeholder approach to their development allowing issues from different areas to be reflected. The ETI code is based on the International Labour Organisation convention. Within the framework Sedex meets a number of the recommendations however falls short on communicating overall CSR goals of companies to suppliers. There is however an option for the organisation to request that Sedex run statistical analysis of their work with suppliers for their annual report, how they are communicated to the supply base is not mentioned. Sedex also not specifically addresses communication of general challenges associated with supplier dialogue, which may continue to plague members.

Agree on Targets:

This section of the framework is focused on the development of targets with new or existing suppliers that are clearly defined and negotiable, highlighting areas of concern and assessing the supplier's capacity to improve. There are a number of specifics related to achieving these ends. The framework suggests hosting awareness seminars so that issues in the supply chain can be raised and discussed allowing for supplier led solutions. Sedex hosts a number of events related to Sedex training but also webinars concerning a variety of supply chain issues. They are also involved in hosting conferences in the supply chain area, one of which occurring in mid October of this year entitled Responsible Procurement and Supplier engagement. Although not always focused on issues throughout the supply chain Sedex is heavily involved in providing information through seminars.

Another aspect of the framework suggests developing Key Performance Indicators (KPI) with suppliers and benchmarking these indicators across industries. This is an area that Sedex does not mention they are involved in. Since Sedex has focused their efforts on the audit process and sharing these results, they do not engage in the development of measuring supply chain performance. They are very much an initiative that is focused on the assessing performance of suppliers but is not necessarily involved in the development of how or what should be measured at supplier sites specifically. Sedex provides indicators for their clients about number of suppliers, sites linked, and audits visible and out standing non-compliances but does not take on the responsibility of developing KPIs for suppliers. However, Sedex has very clear systems and processes to obtain the data relevant to their system through their detailed audit approach.

Supplier Evaluation and Development:

The focus on this aspect of the framework concerns avoidance of alienating suppliers in favour of developing and investing in fostering a culture in which suppliers can be candid in revealing their performance. The framework suggests clear and detailed corrective action plans, having a risk register, using local NGOs as a way to gather intelligence and introducing supplier recognition. Sedex is involved in almost all these areas. Sedex provides a clear and detailed documentation process that is standard to report non-compliance issues within the system. The criticism is that it is left to the auditor to determine how these non-compliant issues are to be managed. Behind the scenes, the auditor might have training in this regard provided by Sedex, but ultimately the suggestions for improvement are left to the person conducting the audit. Within this standard reporting document of non-compliances there

exists a probationary period that the supplier has to correct the action. Again this process is left to the auditor as the choice to list it as a 30, 60, 90, 180 or 365-day timescale for remedial action is left to their judgment.

Sedex has a very good risk register system within the initiative. One of Sedex's promoting tools is competence in this area. Through third party software providers they track and document all the non-compliance reports from every supplier that has a SMETA audit. However the detailed use of this information for remediation and follow up is not mentioned but does allow them to track trends over time. The level of detail provided by Sedex includes, non-compliance by issue, by continent and shows outstanding non-compliance issues. Being issue focused this initiative also does not reward the work of suppliers through direct recognition of success but does highlight the work of members when relevant. In addition to this, their work with multiple NGOs from different parts of the world lends itself well to using these agencies as a local informant.

The framework also suggests that to enhance supplier capabilities in meeting sustainability goals that they provide: direct participation at supplier sites, work with suppliers to enhance data collection, training, and investing in supplier ability to acquire knowledge and resources in pursuit of increased sustainability performance. Sedex is very active in this area. They provide onsite tailored training services to suppliers as well as a number of support activities for suppliers throughout the audit process and host seminars dealing with issues related to becoming a Sedex member. With regards to specific investments in equipment recommended by the framework this might be captured through their root cause focus in non-compliance issues. Sedex falls short in encouraging long-term orientation to supplier relations as it is not within the scope of their product offering and in addition to this, hosting cross supplier conferences discussing common issues is not explicitly mentioned.

Evaluate and Learn:

The final part of the framework suggests a way for management within organisations to continually learn from their experiences in sustainable work in the supply chain and achieve transparency and accountability in reporting this work to stakeholders. The framework suggests elements including verified supply chain data including case studies of best practices and examples of non compliance, hosting industry conferences focused on problem sharing, and establishing in house team of experts to analyse performance progress. With regards to this section of the framework Sedex does significant work. Their supply chain data is verified through their standard audit process and provide case studies and examples of best practices. They also are involved in a number of cross industry sustainability initiatives working towards the same goal of sustainable supply chains. They may not host a number of conference focused on cross industry problem sharing but are certainly present in this area. Finally a core element of their product offering surrounds the idea of analysing progress of non-compliance issues within the system. This information is not available to the public and may not be available to all members unless requested for CSR reports but the potential to synthesize this information certainly exists.

4.2 GSCP Through the Best Practices Framework

Develop Expectations:

The two fundamental aspects of this stage in the framework refer to a robust environmental scanning programme and engagement with stakeholders on organisation policies to meet local supplier conditions. With developing enhanced capabilities to anticipate issues in international supply chains the GSCP has a number of ways to keep ahead of trends. Similar to Sedex GSCP is a mutli-stakeholder group that works with other initiatives, organisations and a

number of experts in the field of supply chain management. Every month a newsletter is released updating current trends and issues that the GSCP highlights for members. They continually involve a number of stakeholders including organisations, NGOs, governments and academics in the development of their reference tools. They proactively invite these stakeholders to take a key role in the development process by sending out questionnaires and through hosting various seminars, webinars and conferences focused on finding solutions to an agreed set of best practices in a variety of sustainable supply chain issues. The GSCP also clearly state the problems that many organisations face with supply chain issues attempting to alleviate some of the key communication problems confusing suppliers internationally.

The element of risk analysis the framework suggests is captured in the GSCP reference tool audit process and methodology. Sedex is largely seen as an industry leader in this regard and the GSCP reflects this assessment as the audit process and methodology is quite similar. A representation of this methodology can be found in Appendix D. The GSCP is centered on providing training, communication and involvement of suppliers in every development aspect of this reference tool.

Agree on Targets:

This section of the framework is focused on the development of targets with new or existing suppliers that are clearly defined and negotiable, highlighting areas of concern and assessing the supplier's capacity to improve. In this respect, the GSCP host a number of supplier awareness seminars throughout the world involving a number of stakeholders. Their focus still remains on, not establishing industry KPIs, but to discover what methods are most beneficial to achieving remediation solutions to root cause issues. How this information will be tracked and developed within the GSCP working plan remains to be realised as work begun on this tool in October 2010 but it will most certainly involve supplier input every step of the way.

Another way in which the GSCP currently meets the expectations of this framework is through its best practices work on ensuring reliability of the audit process. This reference tool ensures the data obtained from audits is achieved in a clear and reliable way. This lies at the heart of the GSCP's goal. A common audit methodology, as in Sedex, will allow organisations to compare results based on adherence to the same protocols. It is noted however that the GSCP and Sedex do not certify the results of audits; they just provide the tools to enable comparisons. All reference tools are developed on consensus of multi-stakeholder input, a requirement within the framework.

Supplier Evaluation and Development:

The focus on this aspect of the framework concerns avoidance of alienating suppliers in favour of developing and investing in a culture in which suppliers can be candid in revealing their performance. This part of the framework is also yet to be realised within the GSCP working plan. Work has begun on identifying best practices in this area and GSCP is very active in the development of this approach internationally. The framework suggests clear and detailed corrective action plans, having a risk register, using local NGOs as a way to gather intelligence and introducing supplier recognition programmes. The specific elements of this part of the framework are not articulated but they do provide some indications of how this reference tool will work. They have already claimed that it will be heavily involved in training programmes for suppliers with a range of options of implementation and that it will involve several stakeholders including local NGOs in development. The three central pieces of work being conducted in this area are: developing local knowledge platforms, local implementation platforms and developing local awareness & engagement mechanisms. This approach was launched earlier this year and through its general meetings three areas of focus are mentioned:

openly discussing issues of common interest, experience exchanges, how to strengthen collaborative approaches.

Exactly what is realised from this process would be strictly speculative in nature at this point. However the methods outlined in the framework such as training, cross industry involvement, local focus and tracking supplier’s progress are all areas touched on in the description of the tool in GSCP literature.

Evaluate and Learn:

The final part of the framework suggests a way for management within organisations to continually learn from their experiences in sustainable work in the supply chain and achieve transparency and accountability in reporting this work to stakeholders. The framework suggests elements including verified supply chain data including: case studies of best practices and examples of non compliance, hosting industry conferences focused on problem sharing, and establishing in house team of experts to analyse performance progress. As the main focus of this part of the framework is also in development at the GSCP it is hard to say with any certainty that it will fulfill the obligations set out in the framework. What can be said about the GSCP in this area is that they are approaching this aspect of the framework in the spirit of it. They do mention the focus on sharing best practices of remediation and root cause solutions in a variety of ways including: workshops, seminars, webinars, case studies and benchmarking current solutions. They also mention involvement with the academic world and the fact that it will include cross industry problem sharing. This example-based orientation to best practices in remediation is at the heart of evaluating and creating a situation where global companies can learn how to solve root causes of sustainability issues throughout international supply chains effectively.

The results of the analysis have been summarized in Table 4-1 below.

Table 4-1 – Summary of Initiative Analysis

Stage of Framework	Subcategory Specifics	GSCP	SEDEX
1. Develop Expectations:	Environmental Scanning:		
	Stakeholder engagement –	✓	✓
	Risk Analysis -	✓	✓
	Media scanning -	✓	/
	Stakeholder engagement of CoCs:		
	<i>Frequent interaction -</i>	✓	✓
<i>Information sharing -</i>	✓	✓	
<i>Cultural issues -</i>	✓	X	
2. Agree on Targets:	<i>Seminars -</i>	✓	✓
	<i>KPIs -</i>	X	X
	<i>Stakeholder consultation –</i>	✓	✓
	<i>Clear process -</i>	✓	✓
3. Measure Performance:	Evaluating Performance:		
	<i>Clear and structured plans -</i>	✓	✓
	<i>Recording incidences -</i>	✓	✓
	<i>Leverage local context -</i>	✓	✓
	<i>Rewards –</i>	✓	X

	Aiding Development: <i>Staff involvement -</i> <i>Training, knowledge sharing -</i> <i>Long-term focus -</i>	✓ ✓ ✓	✓ ✓ X
4. Evaluate and Learn:	<i>Best practice case studies & examples of non-compliance -</i> <i>Problem sharing & supplier bench marking –</i> <i>Track trends -</i>	✓ ✓ ✓	✓ ✓ ✓

4.3 Practical Evaluation

With regards to how the two initiatives operate based on a literature review of their websites and a comparison with the best practices in sustainable supply chain management framework, we can see the core elements are generally followed. It is observed that these two initiatives often reference each others work in their website literature. Although both initiatives do not exemplify perfection with regards to the framework used for analysis, together they get quite close. However this is only how the initiatives claim to approach the issue but says nothing about how these schemes operate in real world.

Whether or not these initiatives are succeeding in their goals in reality remains an issue that is much more difficult to assess. Through interviews conducted with stakeholders involved in these schemes a few interesting details were uncovered although the names and companies will not be revealed in a specific way. In discussions with these contacts it did reveal some insight into how they evaluate them as a means to establish an objective assessment of their CSR work in supply chains, as a means to increase social & environmental performance of supply chains and as a means to reduce audit fatigue.

GSCP: Not just another initiative

The GSCP has evolved out of the situation where there are multiple ways in which organisation's can choose to structure their supply chain work. There are initiatives that focus on different aspects of supply chain work, some with a regional focus and others that are industry specific. The reason such a number of initiatives exist is because of the history behind them. The largest systems set up today are established in countries such as the US, UK, and France that have always approached audit issues in the supply chain on their own. For this reason there are a number of political and national interests, even in NGOs, to maintain the business case for their programme. This could be the reason why there has been so little cooperation amongst the existing alternatives to drive convergence in codes and audit procedures because they have to continue to show their value to members. The GSCP is not just another initiative and operates in a less competitive space relative to other programmes. The GSCP is centered on going beyond each individual initiative to establish a tool that allows organisations to compare and accept the slightly different ways in which they operate in a collaborative manner based on best practices. The GSCP is not a solution but a tool used to uncover solutions and having the focus on capacity building is not as discussed by other initiatives.

The GSCP is the first attempt at real coordination across industry sectors and across initiatives that has engaged some of the biggest corporations in the world. A good example used in an interview that describes the GSCP's operating space quite well is that companies through out the world need to transport materials from point A to point B but not every company needs their own train tracks. This is how the GSCP is viewed by some contacts working closely with organisation. There need not be an initiative for each industrial sector when an organisation

such as the GSCP is designed to be every company's train track. Although it still has some issues to solve and some maturing to do almost all people interviewed have a positive view on the work the GSCP is conducting at present and are positive it will provide real gains in sustainable supply chain management in the future.

Results of initiatives

When speaking with contacts involved in both initiatives almost all of them cited the need to operate within a programme such as Sedex or GSCP due to the leverage of knowledge that can be generated and shared in a large expert working group. Both Sedex and GSCP clients have noted that they are able to leverage large amounts of data from these programmes that is useful for conducting their own CSR reports. With respect to this it also adds a bit of weight to their claims throughout the reporting process as the work they are doing involves expert-based best practices recommendations in this field. It also allows organisations with less expertise in the sustainable supply chain field to structure their work and do the right things towards achieving sustainability in the supply chain. Almost all of the contacts mentioned that a code of conduct is simply not enough to provide transparency to a wide variety of stakeholders, especially in communicating end goals to suppliers.

Only one of the contacts mentioned that the initiative has had an effect on reducing audit fatigue to a satisfactory level. However there are a variety of reasons for this. When probing deeper into the issue of audit fatigue felt by contacts working within either Sedex or GSCP there is much more work to be accomplished behind the scenes. In particular, one contact mentioned that it is difficult to tell if the GSCP has reduced audit fatigue because top management had placed a goal of 100% compliance of suppliers with their working methods. As a result this company are now doing more audits than ever before and even if they were able to use audits of competitors they are still challenged in terms of resources to meet that goal. Typically the working groups within the organisations responsible for working with the initiatives or the supply chain in generally make up between 1-5% of an organisation's workforce, although this is highly dependent on the organisation studied. With regards to Sedex the organisation that was interviewed reported there was also no evidence of the reduction of audit fatigue because of the confidentiality that exists in who conducted the audit. An organisation using the Sedex platform is not sure who conducted the audit of their shared supplier and although it is based on the Sedex standards it leads to questions surrounding the transparency of the process and highlights the fact that organisations are free to accept different things.

This brings up the final problem that was uncovered with these initiatives. Sedex and GSCP are only tools to allow organisations to share data and harmonize standards as an attempt to increase efficiency of resources put into this field. A number of clients mentioned the length of time it takes to go through the equivalence process for just one of the reference tools citing months rather than weeks as the GSCP suggests. With all this time spent on working with these initiatives that do not provide a certification stamp on the process does little to ensure the transparency that organisations are looking after. The other aspect of the certification debate is that a certification stamp could lead to suppliers becoming skilled at this process. It lends itself perfectly to the old adage "practice makes perfect" and suppliers are beginning to become skilled at providing auditors with what they want to hear or see when they are faced with 10-20 audits per year on virtually the same agenda. This again, is at the root of the problem where the supplier sites are stuck in the perpetual circle of audits with little resources being dedicated to increased performance in social and environmental performance. Some contacts mentioned that having so much of the focus internationally on certification leads suppliers to lose sight of the spirit of being certified which is ultimately improved environmental and social performance. Verifying that audits conducted in a previously

determined way that are accepted by the GSCP or Sedex would alleviate the need to certify every audit. The contacts mention these issues and the need for more organisations to be engaged in this sort of work in order to scale up the benefits. It seems that the conclusions of whether or not the initiatives are accomplishing their aims in reality will still take time to uncover as the GSCP is still in the process of completing their work.

A last common theme that was highlighted in interviews was the idea that focusing on practical real life examples of success with remediation of root cause issues through best practices makes the step into reality that is sorely needed with these types of schemes. However when asked about the future wishes or direction that this work in international supply chains will take provided one interesting idea.

Future Developments

At the outset of the analysis it was mentioned that these two schemes are not competitors but complements. In regards to future GSCP develops it might result in establishing Sedex as the best way to implement data sharing in supply chain management but time will tell when the analysis of the data sharing reference tool is completed by the GSCP. An interesting note with regards to this is the desire by some contacts to see a data-clearing house. The data-clearing house whether set up by the GSCP or Sedex would act as a hub for members to go in and access auditor reports from a wide array of industries and organisations. Entrance to the data-clearing house would be stipulated by adherence to best practices in conducting audits verified through a scheme. Once uploaded an organisation could pick and choose or compare different audits conducted on a supplier and decide to accept or reject the audit. The hurdles to this arrangement are many and this idea might be years down the road. Some of the barriers are related to the technical aspects of sharing these documents and data safety concerns as well as the legal element of who owns and has access to data on the system. The advantage of this system would allow an organisation to filter information needed in assessing social and environmental performance while continually moving the agenda on these issues forward rather than lacking the information to do so.

5 Discussion

This chapter is a review of the methodology chosen to conduct the research and reflections associated with the whether or not the NGOs are in fact the best way to achieve transparency and performance improvements in supply chain work in an efficient way. Further reflections will be provided on research questions and choice of analytical framework.

The objective of this thesis was to compare and contrast Sedex and the GSCP with sustainable supply chain management theory to see if the academic world's suggestions are in fact aligned with the work being conducted in reality. The choice to conduct this research could have been altered in many ways that might have produced more generalisable results. The choice to compare NGOs as a way to achieve sustainability in the supply chain, increase transparency and reduce audit fatigue is just one element of the plethora of options available to companies to structure and report their work in international supply chains and may in fact not be the best way to achieve this goal. The choice of research questions in absence of being able to obtain quantifiable results with regards to progress in performance of suppliers also lead to this research being based on perceptions and judgments of a small set of people working with supply chain issues through the framework of these initiatives.

Choice of Method

The choice of conducting two in depth cases studies of organisations committed to sustainability in the supply chain has lead to findings and conclusions based a small number of interviews. Key factors such as time and resources for interviews with large companies involved in these schemes proved difficult while conducting this research. The majority of contacts approach cited time constraints as the number one preventative factor in conducting an interview. Although a number of people involved in this work in international supply chains were highly committed and invested into these schemes, some of them pointed to a reason why others were reluctant to be interviewed. There is some established thought that companies being pressured from stakeholders to improve transparency and sustainability performance in supply chains have continued to pour in resources aimed at achieve these ends with little success. These initiatives are largely business driven and they recognize the importance of this work but time and time again they have not produced the effects desired and thus are reluctant to continually engage in discussions that might be perceived as a fruitless effort.

Upon reflecting on this hypothesis from a number of contacts perhaps the methodological choice to conduct a short survey surrounding opened ended questions is more appropriate method based on the time constraints of sustainability managers working with these initiatives. This method would be able to span more initiatives and produce more insight into the challenges to addressing sustainability issues in the supply chain and reporting those findings in a transparent way. This is contingent on having access to a large number of contacts to obtain statistically valid results but would allow informants to answer it at their leisure.

It was also noted that there are a number of employees within organisations that conduct sustainability work in the supply chain and it may have been useful to obtain information from different sources in the sustainability group within a company or perhaps different business functions such as top management, to provide a broader perspective of the challenges relating to the supply chain. Narrowly focusing on organisations involved in these initiatives provided information primarily relating to the schemes and not necessarily broader challenges from companies outside these initiatives that could provide valid viewpoints on how to address supply chain issues. Interviews conducted from organisations outside of the initiatives would

also shed light on the reasons some initiatives have failed to engage more companies in cross industry collaboration aimed at tackling supply chain issues.

At the outset of this project it was my intention to obtain a more rounded opinion of these initiatives by interviewing more stakeholders of each scheme. Of particular relevance, the supplier perception and experience could be highly valuable in understanding to which extent they have seen a reduced number of audits. It also would have been highly interesting and informative to interview a group of auditors. The perception they would have brought to the research with regards to these schemes would have been highly valuable.

Choice of NGOs

The choice to analyse established NGOs could also be discussed. First the choice of the two NGOs in particular represents a small fraction of available methods that can be used to address sustainability in the supply chain. There is an exhaustive list of schemes with similar aims to the GSCP and Sedex. It could reveal more generalisable results relating to challenges and benefits of this type of work if more initiatives were included. The choice to analyse the GSCP was strictly based on the fact that it is centered on harmonizing the different options available to companies in one total package.

The next discussion that is debated in literature is whether or not NGOs are in fact the most useful way to structure and report sustainability work in the supply chain. In addition to a number of initiatives that exist in dealing with these issues there are a number of private sector alternatives aimed at the same goals. A consulting group called Gartner offers a particularly interesting approach to sustainability in the supply chain. They have created a framework for quantifying sustainable supply chain performance and are using this method to convert the framework into benchmarking and assessment tools. The first of a three-step process is establishing a qualitative method to score performance in multiple supply chain operational categories. The way in which this is executed is through a 78-question questionnaire of 500 companies in 7 geographical areas covering 6 industrial sectors. The second stage is developing a dynamic regularly updated database of sustainable supply chain performance. They reissue the questionnaire every year to the same companies allowing them to track progress over time in the rapidly changing sustainability agenda. The final stage is allowing individual companies to assess and benchmark their own performance but also to view what is going on in the field with regards to laggards and leaders with hopes that this will drive innovation and highlight opportunities for improvement (Stokes, 2012).

The analysis includes a wide range of operational categories covered in the questionnaire, which are: planning, product, sourcing, production and deliver & return of the product at end of life. In the first version of the questionnaire, the planning and sourcing section included two sets of questions surrounding the strategies being incorporated and the metrics used to quantify sustainability performance because of an important finding related to the lack of metrics used from a strategic point of view of most clients. Key themes around which questions are generated in a true/false manner are listed in Table 5-1.

Table 5-1 – Key themes within operational categories

Category	Key Themes
Plan/Enable	<ul style="list-style-type: none"> • Sustainability integrated into supply chain planning and product portfolio analysis • Modeling of full supply chain materials impact

	<ul style="list-style-type: none"> • Ongoing resource intensity reduction targets and related innovation/investment strategy • Supply network optimization & design/re-design including environmental factors • Development of sustainable supply chain metrics hierarchy • Joint business planning with customers and suppliers • Demand shaping on sustainable product lines • Extended and high visibility supply chains • Clear articulated and integrated focus on collection and reporting of sustainability metrics • Integration of sustainability into financial metrics and finances into sustainability metrics
Product	<ul style="list-style-type: none"> • Design for environment principles incorporated at design phase • Design for re-use and design for disassembly (where applicable) integrated at design phase • Life cycle analysis /Product lifecycle Management • End of life planning/modeling • Full consideration of options available to integrate sustainability into product characteristics • Commitment to disclosure of environmental bill of materials and processes • Demonstrated commitment to sustainable product innovation • Internal gates/criteria for sustainable/green product claims/assertions
Sourcing	<ul style="list-style-type: none"> • Robust supplier code of conduct • Supplier collaboration, incentives & best practice sharing • Product stewardship/chain of custody strategy • Sustainable procurement strategy (including energy) • Sustainable supplier strategy • Supplier exchange and network strategy • Industry/upstream collaboration • Resiliency strategies • Upstream supply chain environmental trade-off considerations • Analysis of competition for sourced materials • Proactive supplier verification/validation
Production	<ul style="list-style-type: none"> • Enterprise-facility-asset scale resource and by product mapping strategy • Process optimization • Product and by-product optimization//use/re-use • Robust quantified & intensity- based metrics which demonstrate continuous improvement • Enabling technology deployment (EAM, MES, etc.) • Focus on TCO & discounted rates for sustainability-related investments • Measurable employee training and engagement • Cultivation of focused innovation • Ongoing EH&S performance
Deliver/Return	<ul style="list-style-type: none"> • Sustainable logistics strategy • Sustainable packaging strategy • Fuel/emission modality modeling • Incorporation of postponement where possible • Logistics collaboration and consolidation where possible • Industry collaborations (e.g. light weighting, speed, driver training, idle reduction, aerodynamics, piggybacking, combination vehicles etc.). • Network optimization and fleet performance modeling

	<ul style="list-style-type: none"> • Smartway & other compliance programmes • Outbound/inbound fuel efficiencies
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Source: Adapted from (Stokes, 2012)

There are about 12 questions in each of these 5 categories that are coded with a one or zero giving scores which allow a company to track their performance versus their peers across industries based on these questions. The outcome of this dataset allows companies to assess where they are leading or falling behind in relation to other companies around the world through a visual representation of their score. This could lead to identifying what organisations are doing well and where they could improve, assisting corporate decisions related to investment in certain areas (Stokes, 2012). This is of course a survey and there are issues of transparency with any self-reporting system but this represents an alternative to NGOs as a way to track supply chain activity based on quantifiable methods.

Choice of Theory

The choice of theory to analyse the NGOs researched in this study can also be discussed at length. Supply chain management theory has yet to define a single framework for addressing sustainable supply chain issues internationally. There are a number of reasons for this including the complexity of the issues and the scope and size of the issues arising from the supply chain just to name a few. The weakness in the framework presented, although based on an extensive literature review lacks implementation guidelines to achieving best practices in the area of the supply chain. Reflecting on the choices for a framework, the best practices approach offered by the Network for Business Sustainability is the most comprehensive available in supply chain literature. Perhaps a more practical approach for assessing the performance of NGOs in relation to supply chain theory would be to take the reverse orientation and instead of trying to capture all the issues with one framework, focus attention on the issue by breaking them down into their parts for analysis.

Overall the research questions posed in this thesis can be separated into separate thesis topics. The scope and magnitude of the questions deserve more focused attention to achieve more concrete and verifiable results. Therefore it is observed that more research is needed into each of the questions posed. Identifying how organisations view the topic of audit fatigue in depth and the associated assessment strategies used could reveal the hurdles organisation's face in making the decision to associate with a particular initiative. Understanding more thoroughly the challenges and benefits of engaging in these schemes might show the value in these initiatives to other organisations or provide more robust systems by critiquing them. Finally finding a way to assess their progress in achieving their stated aims is a huge challenge in the continual evolving sustainable definition internationally.

Reflections on the Initiatives

While researching these NGOs there is a number of general arguments surrounding whether or not they are in fact the best way to structure and address supply chain issues. These are private, business and consumer lead initiatives related to improving supply chain performance. Arguments relating to whether or not this type of private regulation, when left up to businesses is the correct way to solve supply chain issues or if this task would be better dealt with through public regulation. Often it is the case that these private initiatives fill the void left by weak institutional arrangements at production sites around the world. It is common that the high disparities in power between buyer/seller arrangements allow private companies to demand better compliance with labour standards. Locke et al., (2012) found that the continued salience of national institutions and regulation results in little effect on improving working conditions above the initial baseline. The criticism of private regulation filling the void left by national governments is that these initiatives crowd out more thorough

intervention by governments that is not designed to protect the labour rights or improve working conditions but to limit the legal liability of global corporations (Esbenshade, 2004). It is argued that private compliance schemes destroy state regulation without replacing it with viable alternative. However they conclude by mentioning that private regulation is not a substitute for public regulation nor does it undermine it but depends on well functioning national institutions and regulations to be effective. The ability of private actors to influence suppliers to invest in improvements was directly tied to common knowledge that states, even though their regulation lags behind development in the private sector, that sooner or later states would enforce new laws. It is the role of the state that gives private actors the additional power and authority needed to promote workplace change (Locke, Distelhorst, Pal, & Samel, 2012).

Reflections on Literature

While researching sustainability literature on international supply chains highlighted several elements about academic work in this area. The first reflection is that there is very little written about audit fatigue specifically. The literature available outlines the problem facing many industries but none offer any solutions. This seems to be indicative for supply chain literature in general. There are many academic articles that frame the issues in supply chains well with regards to relationship management, collaboration, auditing assistance and structuring challenges but implementation assistance with these issues remain vague and poorly understood. It seems to be “the nature of the beast” when dealing with highly complex and evolving issues arising from international supply chains. Few academic papers aside from Rammohan (2009), Locke et al. (2006), and Mamic (2005) use case study examples of how corporations have improved supply chain performance and much of them are from a historical perspective. Although these papers provide interesting insight into how to approach these issues, applying them in a different situational context to different businesses may be problematic. Perhaps, confidentiality among corporations could be the reason there are so few examples of practical application of supply chain management theory. This and the fact that the issues are dynamic and complex lead to speaking in generalities instead of specifics. Supply chain management also heavily relies on theories constructed in other disciplines rather than providing creative ways in which to structure solutions to supply chain issues (Burgess, Singh, & Koroglu, 2006). When looking into a framework for this research analysis it became evident. Overall supply chain management as a discipline remains a very “young” topic and perhaps in the future together with the work structure of NGO initiatives, it will slowly begin to change.

6 Conclusion

This thesis has been exploring how a global company structures and assesses their work with environmental and social issues related to supply chains. The aim has been to contribute to the understanding of how a business can use currently existing methods of assessment to increase transparency, performance and efficiency in supply chain work. Through an in-depth case study of Sedex and the GSCP the reality of the challenges of managing an international supply base has been explored and insight into the practices and the difficulties surrounding them provided. The main objective has been to improve the understanding how these initiatives work, the associated challenges, and to uncover the results of these efforts. This chapter presents the key findings.

6.1 Research Questions Revisited

RQ 1: How is the sustainability assessment landscape structured to address social and environmental performance in supply chains?

There are a number of ways in which corporations can choose to address social and environmental performance in the supply chain. The first choice is to decide whether or not to be involved in an initiative designed to structure the challenges that arise in supply chain management or tackle the issue alone. The paradox of choice remains for most companies looking for ways to address social and environmental issues in their supply chains, which may in fact paralyze organisations in making a choice that could result in substantial benefits from knowledge and problem sharing with like-minded organisations. The most beneficial finding from analysing the GSCP through the best practice framework is that it is very focused on streamlining the choices available by assembling the best practices across industries. This also represents a double-edged sword. The result of streamlining and harmonizing practices in the area of supply chain management could lead to a situation where organisations believe that gains will not be achieved in social and environmental work without a tailor made approach that fits with their organisational aims.

Future Research

More research could be conducted on how the other options of sustainability assessment structure the challenges to address supply chain management issues. The focus in this thesis was largely on the audit and monitoring frameworks but a large number of other methods could be used to track and improve sustainability performance in the supply chain such as the private consulting frameworks that exist on the market. Also researching the reasons for engagement in one sustainability assessment scheme in particular could reveal interesting results with regards to the perceptions of the different options available and whether or not organisations believe they will address their concerns.

RQ 2: How are the current sustainability assessment schemes GSCP and SEDEX structured to deliver improvements in social and environmental performance, what are the key benefits and drawbacks of these systems experienced by different stakeholders involved or affected by these schemes in relation to supply chain management theory?

The analysis did reveal that both NGOs studied fall very closely in line with the theory of how supply chain management literature says the issues should be structured and managed. The key benefits noted with regards to the initiatives studied surrounds the idea of strength in numbers. Being involved with a large sustainability focused NGO allows companies to leverage the knowledge sharing and structured approach to dealing with issues arising from sustainability in supply chains. Another benefit that was highlighted was the shifting focus of these NGOs to provide guidance in capacity building of suppliers centered on providing case

studies and real life examples of success through their expert best practices methodology. Experience and knowledge sharing is perhaps the most beneficial way organisations learn how to address the multitude of issues in the supply chain. Also the range of services such as risk assessment, workshops, industry news and training offered by these initiatives allows organisations to avoid developing these resources in house, freeing up time and resources to other areas of focus. Finally a benefit related to the development of the GSCP is that it is focused on harmonizing the efforts of many industries supply chain work through its equivalence process which is admittedly not perfect but cited as an important element to reducing audit fatigue.

The noted drawbacks of the initiatives are that they do not provide a certification or quality stamp of the audits that are conducted and used for sharing purposes. This represents a hurdle for many organisations that want to ensure that the procedures and methods set out in the best practice approach to conducting audits is being followed. However as mentioned in the analysis, the focus on certification may in fact not be the most suitable way to address issues in supplier compliance. Another drawback is the effort and time that organisations must commit to being involved in the initiatives. Especially with reference to the GSCP it involves a sustained amount of resources within organisations that go through the equivalence process to reap the benefits of mutual recognition. It is also noted that organisations are largely left on their own to decide whether or not to accept the audits of other companies even if they are in accordance with the standards set by the initiatives. This also represents the first problem of the initiatives designed as a tool and not a solution to supply chain issues.

Future Research

Further research into the benefits and drawbacks of other methods of sustainability assessment should be analysed to reveal if they coincide with the literature recommendation. The focus here was on the two NGOs but a number of other initiatives might address some of the stated challenges mentioned in this thesis through approaching them in a different manner. Also a more broad interview selection might uncover more insight into the related benefits and drawbacks of these types of initiatives. Interesting research could also be provided by structuring the drawbacks of these initiatives into a wish list corporations would like to have realized in future developments of these schemes.

RQ 3: Can experiences of other third party sustainability assessment schemes reveal an effect on reducing audit fatigue, compliance levels and increased transparency of audits for MNEs?

Throughout the analysis of the practical results of these initiatives only one company mentioned that they have realized an effect on reducing audit fatigue, increasing compliance levels and increased transparency. There are a number of external factors outside the influence of the initiatives themselves that provide some explanation of why this is the case but tracking the progress of the initiatives either by the initiatives or by the organisation remains an issue that needs to be addressed. There is seemingly a lack of metrics currently used that are agreed upon by large corporations and implemented by the initiatives in this regard. This is a difficult prospect to realize based on the dynamic nature of supply chain work. It is simply too difficult of a task to analyse the position an organisation was in prior to joining an initiative with respect to auditing for compliance versus the state of the organisation is in following membership. There are too many external factors that could influence organisation's commitments to auditing for compliance such as an increase in supplier numbers or change of management goals that can and often do change from year to year. Another problematic situation is raised when looking at data collection with regards to supply

chain work. Rarely do companies track this information to a level where the benefits of joining a scheme focused in sustainability improvements in the supply can be quantified in a reliable manner.

Future Research

Future research could be beneficial in attempting to try and quantify the results of these initiatives. This would have a beneficial element to a number of large companies trying to justify membership in a sustainability assessment scheme. There is a lack of metrics currently used in the industry to track performance improvements across their entire supply chain. As mentioned earlier a more valid and extensive interview selection of companies involved in other initiatives as well as other stakeholders could reveal methods to tracking sustainability performance throughout supply chains. Finally in the future, as these schemes develop it would be valuable and interesting for research engaged in tracking the results of the initiatives themselves. They collect a large number of data related to supply chains of many organisations. Analysing the data collected from the inception of the initiatives with some point in the future would allow users to determine quantifiable proof of the value these schemes provide in the pursuit of sustainable supply chains internationally.

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Appendix A: Social Assessment Examples by Category

Type of Initiative	Name:	Information Pertinent to:
International Policy Framework	The UN “Protect, Respect, Remedy” Framework	Corporations, Facilities, Governments
	Responding to the invitation of the Secretary-General of the UN Human Rights Council, the Special Representative on the issue of human rights and transnational corporations and other business enterprises, John Ruggie, presents a conceptual and policy framework to anchor the business and human rights debate, and to help guide all relevant actors. The framework comprises three core principles: the State duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and the need for more effective access to remedies. The three principles form a complementary whole in that each supports the others in achieving sustainable progress. Reports may be accessed at: http://www.business-humanrights.org/SpecialRepPortal/Home	
	International Labour Organisation (ILO) Conventions, including Eight Fundamental ILO Conventions	Corporations, Facilities, Governments
	The ILO has produced a broad range of international labour standards. Eight of these have been identified by the ILO’s Governing Body as fundamental to the rights of people at work. These rights are irrespective of the levels of development of individual member states. http://www.ilo.org/ilolex/english/convdisp1.htm	
	Universal Declaration of Human Rights	Governments, Corporations, Facilities,
	This declaration was adopted by the UN General Assembly in 1948 to describe rights inherent to all human beings. These include spiritual, public and political freedoms, as well as social, economic and cultural rights. http://www.un.org/en/documents/udhr/	
	Millennium Development Goals	Governments, Corporations, Facilities,
	The eight Millennium Development Goals -- End Poverty and Hunger, Universal Education, Gender Equality, Child Health, Maternal Health, Combat HIV/AIDS, Environmental Sustainability and Global Partnership – form a blueprint for sustainable development agreed upon by all the world’s countries and all the world’s leading development institutions.	

	http://www.un.org/millenniumgoals/bkgd.shtml	
	UN International Human Rights Treaties and Instruments	Governments, Corporations, Facilities
	<p>A series of international human rights treaties and other instruments adopted since 1945 have conferred legal form on inherent human rights and developed the body of international human rights. Other instruments have been adopted at the regional level reflecting the particular human rights concerns of the region and providing for specific mechanisms of protection. Most States have also adopted constitutions and other laws, which formally protect basic human rights. While international treaties and customary law form the backbone of international human rights law other instruments, such as declarations, guidelines and principles adopted at the international level contribute to its understanding, implementation and development. Respect for human rights requires the establishment of the rule of law at the national and international levels.</p> <p>http://www2.ohchr.org/english/bodies/treaty/index.htm</p>	
Type of Initiative	Name:	Information Pertinent to:
Principles and Codes of Conduct	Global Compact	Corporations, Facilities, Government
	<p>Created in 1999, at the Davos (Switzerland) Economic Forum and launched in New York in 2000, the UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. The Global Compact today stands as the largest corporate citizenship and sustainability initiative in the world -- with over 4700 corporate participants and stakeholders from over 130 countries</p> <p>www.unglobalcompact.org</p>	
	Codes of Conduct	Corporations, Facilities Governments
	<p>Organisations may develop or adopt a code of conduct. The code of conduct outlines the principles that guide the organisation's actions. It may apply to an organisation's suppliers and respect of the code can be included as a requirement in contract. In the last decade, industry associations have often developed (with their members) industry codes of conduct to be used by their members. Respect of the substance of the code of conduct is what is being monitored by audits. Even though codes of conduct often include respect of labour rights, health and safety requirements and positive business practices, there can be great disparities in the content of each code.</p> <p>Examples of codes of conduct:</p>	

	<p>EICC: www.eicc.info/ WalMart: http://walmartstores.com/AboutUs/279.aspx IKEA: http://www.ikea.com/ms/en_US/about_ikea/our_responsibility/iway/index.html Outdoor industry association: http://www.outdoorindustry.org/research.php?action=detail&research_id=47</p>		
Type of Initiative	Name:	Information Collected at Level of:	Stakeholder Groups about which Information Collected:
Sustainability Reporting Frameworks	Global Reporting Initiative	Corporation sometimes Facilities	Workers, Local Community, Society, sometimes Value Chain Actors
	<p>The Global Reporting Initiative's Sustainability Reporting Guidelines outline a voluntary framework for annual sustainability reporting that is applicable to all types of organisations. The "G3 Guidelines" offer a consistent basis for organisational reporting on strategy, management techniques and performance indicators. www.globalreporting.org</p>		
	UNCTAD Corporate Responsibility Indicators	Corporation sometimes Facilities	Workers, Local Community, Society
<p>The UN Conference on Trade and Development Corporate Responsibility Indicators are a practical, voluntary tool to assist enterprises in their communication with investors and other stakeholders on social responsibility issues. http://www.unctad.org/Templates/Page.asp?intItemID=4490&lang=1</p>			
Type of Initiative	Name:	Information Pertinent to:	
SR Implementation Guidelines	ISO 26000		Corporations, Facilities
	<p>These voluntary guidelines on social responsibility are for use by all types of organisations. They assist in integrating social responsibility throughout an organisation and include management strategies and guidance on relevant social impact categories.</p>		

	www.iso.org		
	OECD Guidelines for Multinational Enterprises		Corporations, Facilities Governments
	The OECD Guidelines are voluntary social responsibility principles and standards focused on the management of multinational corporations. The Guidelines cover issues such as employment, human rights, the environment, and bribery. http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html		
Type of Initiative	Name:	Information Collected at Level of:	Stakeholder Groups about which Information Collected:
Auditing and Monitoring Framework	AIM-PROGRESS	Facility	Workers, Value Chain Actors
	AIM-PROGRESS is “a forum of consumer goods companies assembled to enable and promote responsible sourcing practices and sustainable production systems.” The initiative is promoting the use of common evaluation methods for supply chain CSR performance. http://www.aim.be/responsible_sourcing.htm		
	Global Social Compliance Programme	Facility	Workers, Value Chain Actors
	The GSCP is an initiative of the Consumer Goods Forum designed to address the problems of audit fatigue and duplication, audit quality and unmet expectations for improving social impacts. This has led to a wealth of useful tools for auditing supply chains, including supplier self-assessment, pre-audit questionnaires and other management system tools. www.gscpnet.com		
	SAI SA8000	Facility	Workers, Value Chain Actors
	This is a workplace certification standard by Social Accountability International designed to protect the basic human rights of workers. It includes management system guidelines for facilities that wish to be SA8000-certified. http://www.sai-intl.org/		
	BSCI	Facility	Workers, Value Chain Actors

	The Business Social Compliance Initiative is a broad business-driven platform for the improvement of social compliance in the global supply chain. It offers companies a comprehensive monitoring and qualification system covering all products sourced from any country. http://www.bsci-eu.org/		
Type of Initiative	Name:	Information Collected at Level of:	Stakeholder Groups about which Information Collected:
Financial Indices	FTSE4Good Index Series	Corporations and 1st Tier Suppliers	Workers, Local Community, Society, Value Chain Actors
	The FTSE4Good Index Series measures the financial performance of companies that meet set CSR standards. The index also provides documentation of a “transparent and evolving global corporate responsibility standard.” Inclusion criteria address the following major categories: Environmental, Human Rights, Supply Chain Labour Standards, Countering Bribery, and Climate Change. http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp		
	Dow Jones Sustainability Indexes	Corporations and 1st Tier Suppliers	Workers, Local Community, Society, Value Chain Actors
	These indexes track the financial performance of “sustainability-driven companies” world. Inclusion criteria are divided into 3 dimensions: Economic, Environment and Social. Social criteria include Corporate Citizenship/Philanthropy, Labour Practices, Human Capital Development, Social Reporting, Talent Attraction & Retention, and certain Industry-specific criteria. http://www.sustainability-index.com/		

Source: Adapted from Sustainability Consortium (2010)

Appendix B: Task Force Member Requirements

Task Force Members:

- Are expected, at the very least, to attend the yearly General Meeting, share their best practices and actively participate (by electronic means) in the consultations on each step of the working plan (e.g. on the development of the reference tools)
- Have the opportunity, if they wish to, to participate more actively and extensively by nominating themselves, or one of their company’s experts, to participate in one or more expert working groups
- Have a voice in the strategic direction of the Programme, and can propose issue areas to potentially be tackled in the framework of the GSCP

- Have access to member-only information resources and activities such as monthly webinars on projects / initiatives of interest, and can showcase projects they or their initiatives are leading to the rest of the Task Force through the GSCP
- Are eligible to sit on the Executive Board

Source: (GSCP , 2012b).

Appendix C: Example of Links Service

Example:

Company A is a member of Initiative X. Company A has its own supplier code of conduct and uses Initiative X's audit process.

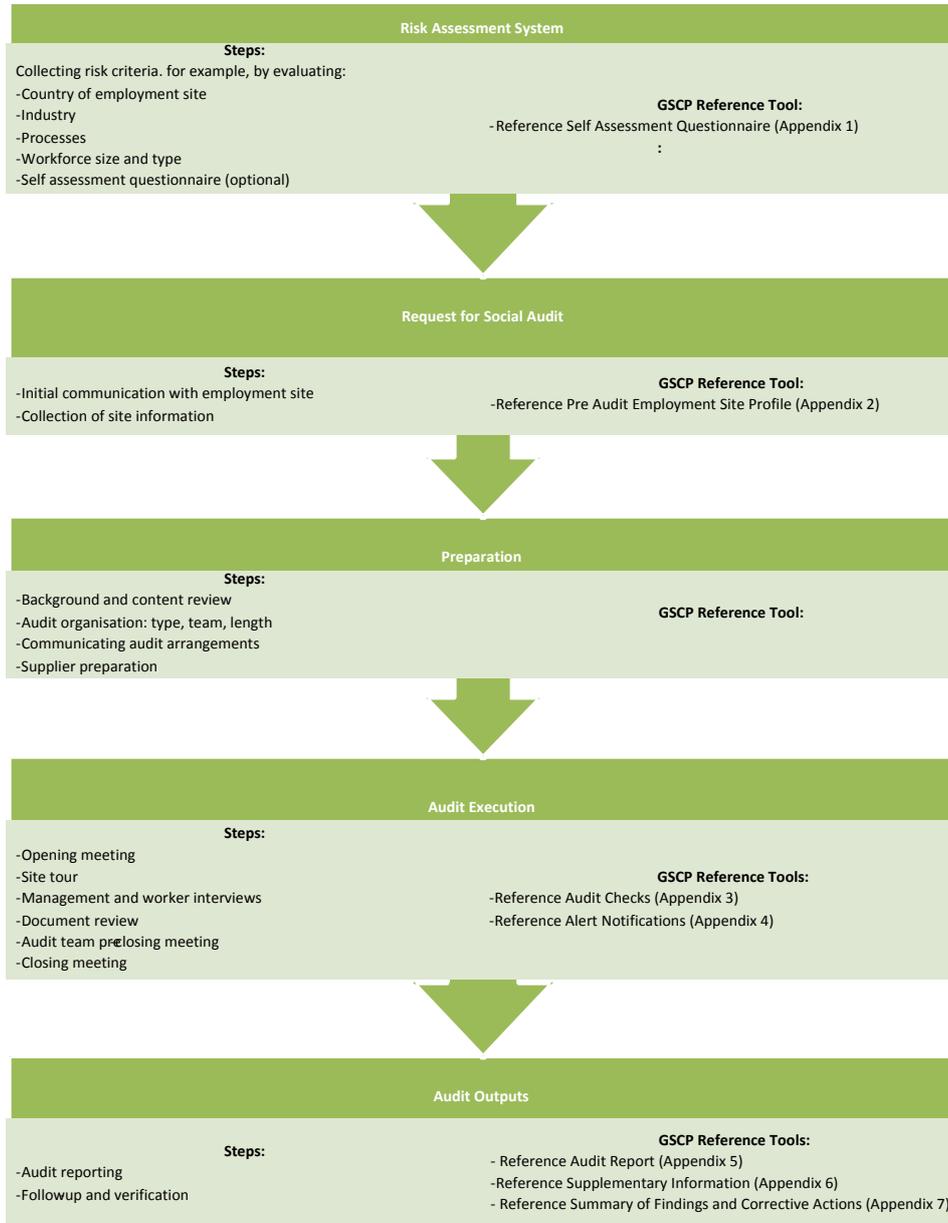
Company B asks Company A to share and compare their Equivalence Assessments for both sets of tools (supplier code of conduct and audit process).

For the supplier code of conduct: Company A “shares and compares” directly with Company B. For the audit process:

- Company A subscribes to the Links service.
- This enables Company A to ask Initiative X to share its Equivalence Assessment on the audit process with them.
- Initiative X accepts and grants access to Company A to its audit process Equivalence Assessment.
- Company A can then access Initiative X's audit process Equivalence Assessment, and “share and compare” these results with Company B's audit process Equivalence Assessment.

Source: (GSCP, 2012k)

Appendix D: Audit and Process Reference Tools



Source: (GSCP, 2009)

Appendix E: Interview Guide

Interviewee:

Date:

Purpose: Understanding purchasing and supplying audit information through 3 rd party NGO (focus RQ 2/3):

- Facts (purchasing organisation, products/commodities, suppliers, volumes, etc.)
- Suppliers relations
- Challenges, experiences, perceptions
- Reflections

Preliminary research questions

1. What type of services do current systems GSCP, and SEDEX deliver to different stakeholders and how, what are the key benefits and drawback of these systems experienced by different stakeholders involved or affected by these schemes?
2. Can experiences of other 3rd party institutions reveal an effect on reducing audit fatigue, compliance levels and increased transparency of audits for MNEs?

Setting

- Interview via Skype, 20-40 minutes

Checklist

- Understand the organisation approach to the supply chain
- Overview of services used
- Understanding how the system is structured
- Understanding of relationships
- Understand their position and the challenges they are facing
- Understand the contextual aspects influencing the environmental work in the SC

List of questions

0. About the informant(s) and the company function

1. Please describe your role in the company?

I. Sourcing Facts

1. No of suppliers?
2. Products?
3. Volumes?
 - a. Tons/pieces
 - b. Value
4. Geographic location of suppliers?
5. Can you describe your supplier relations? (GSCP/SEDEX influence)
 - a. Transactional
 - b. Collaborative
 - c. Adversarial
6. When did you join GSCP/SEDEX?
7. What services they you using and how this has affected their ability to monitor and improve social compliance (i.e. capacity)
8. Is being a member of the scheme saving you time and resources, in what way? (Provide any quantitative data?).

II. Suppliers and relations

9. What is the relative size of the buying group compared to other organisational units within the company to the unit responsible of working with GSCP/SEDEX? Time, resources, expenditures? (Past/present)
10. How many suppliers are you able to access for data?

11. Does this influence your capacity to verify compliance of suppliers in large numbers?
12. Is risk assessment dealt with by the GSCP/SEDEX if so how? Pre-audit risk assessment?
13. Do you ever have a relationship reaching beyond the first tier suppliers? a. Why/not?

III. Environmental and social requirements

14. Can you describe how do you take environmental and social aspects into account in purchasing? (GSCP/SEDEX influence) (CoC, Procedures, criteria?)
15. What environmental/social requirements do you apply and place on suppliers? Standard for all members? How much did you adapt to the system?
16. Please describe how you measure suppliers' environmental performance and set targets. (KPIs)
17. How do you verify compliance? Platform for sharing audit results? Accredited 3rd party that can upload?
18. How do you act if not complying? Is this a service provided by GSCP/SEDEX? Follow up materials/corrective action?
19. Can you describe the level of the environmental work at (company) vs. at suppliers? Is there training provided by GSCP/SEDEX to deal with compliance issues?
20. What do you consider key challenges with respect to managing environmental issues in the supply chain? (Knowledge, Resources, Internal/external?)
21. Does GSCP/SEDEX provide support on how to use the system?
22. Are their platforms or forums to share experiences between buyers and suppliers?
23. Forums or platforms for discussions of key issues e.g. how do we come to grip with persistent non-compliance related to excessive overtime?
24. Common representation/PR/lobbying activities on behalf of member companies?

VI. Results & remaining challenges

25. Do you feel like joining the GSCP/SEDEX has relieved audit fatigue your corporation faces?
26. Can you comment of the key challenges that your corporation has faced since joining the scheme?