Perspectives of Suppliers on Corporate Social Responsibility in Emerging Economies: China and Turkey

Sevilay Demircioglu Chenchen Wang

LIU-IEI-TEK-A-12/01513-SE

MSc Management of Innovation & Product Development
Master’s Thesis, 30 Credits
Acknowledgements

We would like to genuinely thank the important people who have helped us in the process of writing this thesis.

Our examiner Nicolette Lakemond for her support on our work and for always giving us helpful and constructive directions on our research.

Our supervisor Mohammad Eslami for his advises and guides.

Our opponents Sidra Haque and Sundas Zahid for their comments and feedback.

Our friend Simge Özgül for providing us with the information about her working experience in textile industry.

Our friend Johanna Braun for proof reading.

All interviewees for their time and commitment to do the interviews with us and for the important material that they provided for our study.

Chenchen & Sevilay
Linköping, September 2012
Abstract

Corporate Social Responsibility is attracting more public attention in business world nowadays. It has evolved well in developed countries while there still remains some CSR issues in emerging economies such as China and Turkey. Thus, when some multi-national enterprises select suppliers in China and Turkey they come with CSR requirements and pressure. In this supplier-buyer context, less study has been carried out from suppliers’ perspective on how they implement the CSR pressure and whether it has positive or negative impact on their relationship with the buyer and impact on themselves.

In addressing this problem in this particular supplier-buyer environment, the purpose of this study is to explore the perspectives and practices of suppliers regarding CSR in emerging economies like China and Turkey with strong export relationships to companies in developed countries. In order to achieve this purpose, this thesis presents a qualitative study supported by primary data gathered by interviews and secondary data gathered by examining company documents. One Chinese supplier and one Turkish supplier were chosen as two cases in this study. Both have supplier-buyer relationships with the same buyer which has a large role in the textile industry. Interviews were conducted with two suppliers respectively to gain research data.

The result of the study shows that: (1) CSR is perceived differently by Turkish and Chinese supplier. The Chinese supplier emphasizes their CSR perspectives on only economic and philanthropic levels while the Turkish supplier includes also ethical and legal levels. (2) In supply chains, both suppliers comply with codes of conduct from the buyer and additionally conduct CSR activities voluntarily. Both suppliers focus on philanthropy and community contribution but the Turkish supplier work on environmental friendly products. (3) There is no direct positive impact linked with CSR compliance in terms of supplier-buyer relationship for both suppliers. In other words, requirements on CSR from the buyer do not contribute much to their supply chain relationships. (4) CSR practices bring competitive advantages for both suppliers. Those competitive advantages include innovation capability and positive corporate reputation.

Keywords: Corporate Social Responsibility (CSR), Multi-National Enterprises (MNEs), emerging economy, textile industry
# Table of Contents

1 Introduction .......................................................................................................................... 7  
   1.1. Background .................................................................................................................. 7  
   1.2 The Countries of Study: China and Turkey ................................................................. 8  
   1.3. Problem Statement ..................................................................................................... 9  
   1.4. Purpose ....................................................................................................................... 10  
   1.5. Research Questions .................................................................................................... 10  
   1.6. Limitations .................................................................................................................. 10  
   1.7. Research Disposition ................................................................................................. 11  

2 Methodology .......................................................................................................................... 13  
   2.1. Research Approach and Strategy .................................................................................. 13  
   2.2. Literature Review ....................................................................................................... 15  
   2.3. Data Collection ............................................................................................................ 15  
   2.4. Data Analysis .............................................................................................................. 21  
   2.5. Quality of Research .................................................................................................... 21  
      2.5.1. Validity .................................................................................................................. 21  
      2.5.2. Reliability .............................................................................................................. 22  
      2.5.3. Generalization ....................................................................................................... 23  

3 Theoretical Framework ........................................................................................................... 24  
   Corporate Social Responsibility ......................................................................................... 27  
      3.1. Definitions of Corporate Social Responsibility ......................................................... 27  
      3.2. The Pyramid of Corporate Social Responsibility ...................................................... 32  
      3.3. CSR in Supply Chain ............................................................................................... 33  
         3.3.1. Link Between CSR and Corporation’s Stakeholders ........................................... 33  
         3.3.2. Dimensions of CSR from a Supply Chain Perspective ........................................ 35  
         3.3.3. Supply Chain Pressure ....................................................................................... 35  
      3.4. Codes of Conduct ...................................................................................................... 36
# Table of Contents

3.5. **Supplier-Buyer Relationship** .................................................................38
   3.5.1. Some Terms Regarding Supplier-Buyer Relations 38
   3.5.2. Types of Supplier-Buyer Relationship 40
   3.5.3. CSR and Supplier-Buyer Relation 41

3.6. **Corporate Social Innovation (Competitive Advantage)** ....................42

3.7. **CSR and Corporate Reputation** ..........................................................43

CSR in Emerging Economies ...........................................................................45

3.8. **CSR in China** ....................................................................................45

3.9. **CSR in Turkey** ..................................................................................49

4 **Empirical Data** ..........................................................................................56

4.1. **NIKE, Inc.** ..........................................................................................56
    4.1.1. Auditing system 57
    4.1.2. Code of Conduct 58
    4.1.3. Indexes 59
    4.1.4. Definition of A Truly Sustainable Performance 60

4.2. **Chinese Company** ..............................................................................63
    4.2.1. Company Introduction 63
    4.2.2. CSR Practices in General
           CSR Perspective 63
           Implementation 64
           Environmental Aspects 64
           Social Aspects 65
           Benefits from CSR 66

    4.2.3. CSR Practices Regarding Supply Chain Management 68

4.3. **Turkish Company** ..............................................................................71
    4.3.1. Company Introduction 71
    4.3.2. CSR practices in General
           CSR Perspective 71
           Implementation 73
           Environmental Aspects 75
           Social Aspects 77
           Benefits from CSR 78

    4.3.3. CSR Practices Regarding Supply Chain Management 82

5 **Analysis** ....................................................................................................83
5.1. CSR Perceived by Chinese and Turkish Supplier ........................................83

5.2. CSR Implementation ..................................................................................86
   5.2.1. CSR Implementation in General 86
   5.2.2. CSR Practices in Supply Chain 88

5.3. CSR and Relationship In General .............................................................91
   5.3.1. Chinese Supplier 91
   5.3.2. Turkish Supplier 93

5.4. CSR and Innovation ..................................................................................95

5.5. CSR & Corporate Reputation ....................................................................97

5.6. Synthesis of Analysis ..............................................................................99

6 Discussion and Conclusions ........................................................................102
   6.1. Answers to Research Questions ............................................................102
   6.2. Reflections .............................................................................................105
   6.3. Future Research .....................................................................................106

References .......................................................................................................108

Appendices ......................................................................................................115
   Appendix A - Interview Questions ..............................................................116
   Appendix B - Global Compact Principles ....................................................119
   Appendix C - Social Responsibility Policy ..................................................120
   Appendix D .................................................................................................121
1 Introduction

The following chapter will give an introduction to Corporate Social Responsibility and CSR’s brief development on the global market. China and Turkey as two emerging economies that are involved in this study will also be presented. CSR in these two countries will also be described. With problems statement, the purpose and the research questions of this study will be provided as well as its limitations. Finally the research disposition will be presented in the end to facilitate reading.

1.1. Background

Nowadays companies are under pressure from the public regarding environmental and social responsibility. Corporate social responsibility related activities are counted as extra credits for building up a good image and strengthen companies’ competitiveness and innovativeness. Thus corporate social responsibility is attracting more attention and becoming an imperative link between business and society. It becomes the driving force of companies taking ethical, legal, economic responsibilities which, for some companies, promotes both company success and innovation (Edvardsson and Enquist, 2011).

However, responses to CSR related requirements or standards differ from companies and countries. CSR emerged early and has already reached a certain level of awareness and importance in Western countries whereas there is a scarcity in the context of emerging economies (Jamali, 2007). External buyers from Western countries seek to hold their suppliers in emerging economies accountable for social issues and those buyers highlight the potentially large financial risks (Porter and Kramer, 2006).

As the importance of CSR has been increased gradually and globally, researchers’ interests have been spreading in various areas related to CSR. Some of them focus on CSR in a single country context. For instance, Muller and Kolk (2009) carried out a case study on CSR in Mexico as a particular example of environmental and labor complexity. Some others study the impact of CSR globally as well as its distinction between multi-national enterprises(MNEs) and small medium enterprises(SMEs) (Ciliberti et al., 2008). Specifically, the majority of those existing studies cover definitions of CSR (Freeman and Hasnaoui, 2011; Levinson, 2009); business ethics (Carter, 2000); CSR’s impact on the company’s performance (financial, reputation etc) (Melissa and Lenita, 2007); forces to CSR practices (Erwin, 2010); social CSR (Fuchs, 1993); environmental CSR (European Community, 2001); corporate social innovation (Bhuthongkum and Olafsson, 2009).
1.2 The Countries of Study: China and Turkey

As examples of emerging economies, China and Turkey are focused on in this thesis. Here we will provide a background to China and Turkey as well as CSR's development in these two countries.

The reason why we choose these two countries as representatives is that these are two important export countries to Western world. Both countries’ economies have grown quickly and still continue growing. Two countries are among the fastest growing economies in the world (Nina et al., 2004).

Turkey, located at the joint between Europe and Asia, is one of the largest and fastest growing current account among emerging economies. Only in the first quarter of 2011, Turkey’s economy grew at an annualized pace of 11 percent, faster than China, India and several booming Latin American markets (Euroweek, 2011). Turkey is well-known for playing its important role in global garment and textile supply chains. Clothing and textile exports represent 40 percent of all Turkey’s exports according to the International Textile, Garment and Leather Workers' Federation (ITGLWF). Those working in the clothing and textile sectors make up 35 percent of the country’s industrial workers (ITGLWF, 2003). In addition, Turkey has been increasingly exported ready-to-wear clothing from US $450,000 in the 1970s to US $2.5-3 billion in the 1990s, US $7.4 billion in 2000, US $9.3 billion in 2002, US $11.5 billion in 2003 (Nina et al., 2004).

Since the end of the post-war Golden Age, China has been becoming one of biggest outsourcing countries. The Chinese economy has been sustaining high rates of growth (Dunford and Yeung, 2011). A large amount of international companies have started seeing China as a promising market. Likewise, many Chinese companies started expanding in global level. Under the new model of Chinese development, China has the potential to keep developing at a fast speed (ibid).

In 2001, when the opportunities of jobs in the European Union’s textile and clothing industry were declining (down by 70,000 jobs in 2001 to 2.1 million), China and Turkey had become the number one and two clothing suppliers in terms of clothing supplying. For textile supplying, Turkey has become the number one textile supplier (Nina et al., 2004). In 2003, China and Turkey were the number one and number three position in the world (From number one to number three are respectively China/Hong Kong, Italy and Turkey along with Mexico) (Knitting International, 2003). Because of this, increasingly Western companies are willing to locate and explore potential markets in China and Turkey. In other words, they are willing to outsource goods from China and Turkey. However, the two emerging economies have severe Corporate Social Irresponsibility issues in the industrial history. For instance, China has been criticized of using child labor and Turkey has faced with problems such as poor employee welfare.
Compared to them, most of the Western companies have already been working with CSR in the long run. As they are entering Chinese and Turkish markets, CSR attention will be brought with them. Thus, the awareness of CSR needs to be increased and the term of CSR needs to be spread.

Therefore, these two emerging economies are selected as our research study scope.

**1.3. Problem Statement**

The major perspectives and theories about CSR mainly revolve around firms operating in developed countries, especially North America and Europe. Only a few studies have shown how CSR is implemented in emerging economies differ from developed countries.

In addition, only a few studies have been carried out in a supplier-buyer context especially from the suppliers’ perspective. How suppliers from emerging economies evolve around CSR requirements coming from the buyers is unclear. Due to pressures from consumers and activists, generally the interest is in social responsibilities of multinational enterprises (MNEs). In this manner, the majority of the studies show how multinational enterprises (buyer) evolve around CSR and illustrate their story about becoming a socially responsible model. NIKE,Inc. (Zadek, 2004) and IKEA (Bhuthongkum and Olafsson, 2009; Swedish Institute, 2011) are popular examples to demonstrate such CSR related developments in the field. Of course, their whole supply chain and strategies are examined but only in terms of company policies on supply chain management. Thus, due to one-sided analysis and discussions of buyer responsibility on CSR, supplier practices dealing with CSR enforcements remain vague. In literature on this, the issue remains scarce despite the effect of buyer pressure on suppliers in smallmedium enterprises to demonstrate CSR practices (Baden et al., 2009); investigating CSR in supply chains from SMEs perspective (Ciliberti et al., 2008); and drivers for CSR.

In terms of mutual benefits of CSR both for the buyer and supplier, various researchers have provided some theoretical contributions and propositions from the buyers’ perspective. Such as under which conditions a buyer should choose a socially responsible supplier for the buyer’s good reputation and competitiveness (Hietbrink et al., 2011). However, there are not enough studies on the outcomes of suppliers’ involvement/interest. Carter (2000) studied the link between a supplier’s satisfaction with the relationship and the buyer’s perception of the supplier’s performance. Although a general supply chain relation was covered in this study, it was intended to illustrate the buyers’ view. Therefore, this study will try to close those literature gaps by focusing on CSR perspectives of suppliers from emerging economies like Turkey and China. By drawing the conclusions, this study can provide insights for those suppliers in
implementation of the CSR requirements coming from the buyers in order to work together with their multinational buyers closely and efficiently. Moreover, this study can offer suppliers motivation in working with CSR by knowing the competitive advantages of CSR.

1.4. Purpose

The purpose of the thesis is to explore the perspectives and practices of suppliers regarding CSR in emerging economies with strong export relationships to companies in developed countries. Two suppliers from China and Turkey, as two strong emerging economies with a large role in the textile industry are chosen as examples in this case.

1.5. Research Questions

• What perspectives do suppliers in emerging economies have on CSR and how is CSR implemented?

• What positive effects can be associated with CSR compliance in supplier-buyer relationship in emerging economies (Turkey and China)?

• What performance effects can be associated with CSR compliance in companies’ competitive capacities (innovation, reputation, etc.)?

1.6. Limitations

The concept of CSR is rather broad and our focus is CSR from a suppliers’ perspectives by concentrating on emerging economies. Two textile industry suppliers will be selected as two cases in this thesis, one from China and one from Turkey. Thus, all emerging economies would not be covered in this study but only China and Turkey. Yet, the entire country can not be covered by having one supplier of each rather it can give hints and tendencies how the situation might be and how it differ between the two countries.

In the theoretical framework section, according to previous categorizing study, corporate responsibility is supposed to be reviewed including social and environmental aspects, ethics, governance and stakeholder’s management. However, in line with our research purpose, only social aspects and stakeholders’ management will be discussed in this study.

Another limitation of this study is that the primary data is somehow limited. At the preparation phase of our thesis, we contacted 15 MNEs in Europe with both suppliers in China and Turkey, to ask for interviews regarding our topic. Unfortunately, only two replies were received after 2 months without giving information of their suppliers. Then
we started to contact suppliers in China and Turkey directly and finally got interview opportunities from three people. Due to lack of time, we used answers from these three interviews as our main primary data. The data might only be their point of view regarding our topic. We can not conclude to the overall situation in the two countries but it still provides us valuable information regarding our study topic.

1.7. Research Disposition

The design of the thesis is outlined in Figure 1 in order to describe the different chapters in our thesis to give an overall picture.

![Figure 1. Research disposition](image)

**Chapter 1 Introduction:** this chapter introduces the readers to the basic perspectives and practices of CSR, China and Turkey; presents our purpose and research questions; states the limitations to our study.

**Chapter 2 Methodology:** this chapter presents the methodological approaches used in this thesis particularly to give an idea of how the study is conducted.

**Chapter 3 Theoretical Framework:** this chapter determines some background knowledge of the thesis topic through literature study. Knowledge as well as some terms are introduced including definitions of CSR, CSR in supply chain, Codes of Conduct, supplier-buyer relationship, CSR and innovation, CSR and corporate reputation.
Chapter 4 Empirical Data: this chapter provides the description of the buyer and two suppliers on the relevant CSR issues and findings and results from the conducted interviews and private corporate documents.

Chapter 5 Analysis: the empirical data will be analyzed in this chapter and harmonized with the literature study.

Chapter 6 Conclusions: this chapter identifies the conclusions of the study. All the research questions would be answered in the end of this chapter as well as our reflections on results.
2 Methodology

Methodology is a body of knowledge that serves best for explaining and analyzing methods, indicating limitations and resources, identifying presuppositions and consequences, and relating their potentialities to research advances (Miller, 1983). How our research study is conceived, planned and implemented will be discussed in this chapter. The chapter describes the methodological approaches used during the study: research approach, literature review, data collection, data analysis and quality of research.

2.1. Research Approach and Strategy

The research approach used for conducting this study is qualitative. A qualitative approach is more suitable since we as researchers aim to study CSR phenomena from a suppliers’ perspectives in their natural settings. We employ interviews as a practice that makes the CSR phenomena from the suppliers’ perspectives in emerging economies visible. Here, to make the distinction of the employed research approach, the nature of data plays a great role. A qualitative research consists of a set of interpretive, material practices including interviews, conversations, photographs, recording that ‘makes the world visible’ (Denzin and Lincoln, 2000).

Furthermore one of the main reasons for conducting a qualitative study is exploration of a topic. In other words, when there is a lack of literature targeting that specific area or that specific population and the researcher’s intention is to listen to participants and build ideas and understanding based on their explanations. Thus, our study holds the character of exploratory research design. Churchill (1999) defines research design as a blueprint that acts like a guide in collecting and analyzing data. In the analysis of researches in CSR from Taneja et al. (2011), common research designs are classified into three: exploratory, descriptive and causal and those types of research designs follow either qualitative or quantitative approaches. The research was started by searching for theoretical data since a large amount of CSR related knowledge study was needed as background knowledge. In addition, the purpose of our study is to fill the gap of CSR activities execution in emerging economies. Hence, previous theories regarding CSR were necessary to be studied. We refined our research questions based on previous theories as our initial goal was to test our selective theories with our collected empirical data.

Our research direction can be summarized as in the Figure 2:
- Background research, method research, literature review, data collection, data analysis and drawing conclusions were done simultaneously, starting from January 2012 to August 2012.
• Theoretical parts including background research, method research and literature review are searched through online databases, Linköping Library Catalogue and internet sources and formulated accordingly.
• Major data that has been collected to formulate empiricals are provided by studied companies.
• Data analysis and results of the analysis and discussions accordingly was the interconnection of theoretical and empirical parts.
• The arrows show approximate time spent for those parts.

![Figure 2. Research direction](image)

Our research process was intended to be carried out more towards an inductive approach. We conducted interviews to collect empirical data and drew our conclusions based on the collected data. As a next step the findings are presented by harmonizing them with existing theories and the literature review. According to Ormerod (2010), inductive study is referred to “as inference from the particular to the general”. In other words, it involves deriving some conclusion from observations or a set of data. We did not intend to go from particular to general but we drew conclusions from sets of data coming from companies. Hence, our research methodology does not follow purely an inductive or deductive approach. As mentioned in the background above, the study of CSR from a supplier’s perspective, especially in emerging economies constitutes a gap in CSR field. Hence, sufficient theoretical data could not be found during the literature study. In other words, a broad generalization of theory could not be achieved. Large amounts of papers are concentrated on country or industry specific observations, therefore their conclusions are mostly based on a particular context. Consequently, our approach does not exactly follow the deductive way of “general to specific”. The whole observation was tentative and including a degree of uncertainty which is in accordance with the traits of inductive approach. To some extent, the theoretical background
involves some level of uncertainty, which is why theories are correlated with empirical data during the interview process. Due to such reasons, it is difficult to purify whether our research approach is a complete inductive or deductive.

2.2. Literature Review

To form our theoretical framework, existing research in the field of Corporate Social Responsibility; and Chinese and Turkish suppliers as examples of emerging economies were analyzed and main perspectives and concepts in this field were identified. This section briefly explains the method of doing this research. While in the process of forming the theoretical framework, Linkoping University’s electronic library was our main search engine or platform for finding reliable sources. Furthermore, Google scholar was used to find some scientific papers. Our literature review data was mainly collected from international management journals. Moreover, EBSCO Host and Business Source Premier were our main resources.

We first broke down the whole topic to several subtopics which we found relevant to our research questions. Then according to each subtopic, we conducted the literature search by using the following keywords:

- Corporate social responsibility (CSR)
- Supply chain and CSR
- Supply chain relationship
- CSR in China; CSR in Turkey
- CSR and Innovation
- CSR and Corporate Reputation
- Codes of Conduct

Moreover, we used the lists available in the end of research papers and some master theses published from Linköping University that are highly relevant to our research topic. The research carried out is composed of approximately 40 Research papers and relevant chapters of 8 books. In order to narrow down we needed to be critical about the resources. We first studied the titles of each papers or books, then briefly went through abstracts, selected those resources that are with more reliable theories that can construct our theoretical framework. For those picked papers or books, we read their conclusions and methodologies in detail to filter out the confused theories and leave the concrete theories. In some cases, then there is a contrary about some views, we kept both points of view in our theoretical framework to be objective. This is also for later analysis part to testify which point could be applied in our study.

2.3. Data Collection
To conduct our research study, empirical data was collected from two suppliers of NIKE, Inc., one in China and one in Turkey, as well as the NIKE, Inc. itself. First, for clarification, our focus is directed to NIKE, Inc. specifically as it is a common base to relate our analysis of having suppliers both from Turkey and China. The relationship between NIKE, Inc., Turkish and Chinese supplier, including selecting its suppliers and starting doing business can be seen in Figure 3. The process starts with selecting suppliers, which is called partnership with the Turkish and Chinese supplier companies, for a certain type of product to be produced for NIKE, Inc.. It identifies qualified suppliers through a bid process which includes market research and analysis online, benchmarking with other companies, referrals from other companies and research service (“Doing Business with NIKE, Inc.,” 2012) Since the criteria of buyer for selecting suppliers (partners) is out of our scope, the focus is how the process flow works after deciding on the partners. When an order comes to Turkish supplier, the company then communicates with Chinese supplier as well as its other suppliers and subcontractors. Of course, in each step CSR matters for NIKE, Inc. and the supplier companies such as to be selected and continued working with existing partners and audits are the means of this process.

Figure 3. Relationship between Turkish supplier and Chinese supplier within the supply chain of NIKE, Inc.

The source of our data entails both primary and secondary data sources. Our secondary data sources are primarily corporate websites of case companies as well as corporate documents shared with us through e-mail. Empirical data about NIKE, Inc. is purely secondary data except some specific information gathered from interviewed suppliers.
concerning their audit strategy. Primary data sources are the interviews. Sarantakos (1998) indicates that primary data are information gathered by the researcher from the original source and the ways to collect this data are interviews, surveys and the direct observation. While secondary data refers to documents that are not primarily created for the research in which they are used such as public documents, archival records, personal documents, administrative documents and formal studies and reports related to the research topic.

During the literature study, interview questions were formulated based on the relevant areas to our research questions and reviewed constantly. The interviewees were sent the list of questions and brief description of the research area. Correspondingly, relevant documents were sent to us to have a general understanding of company practices on CSR before the interviews.

Interviews are the primary means of our data collection. According to Sarantakos (1998), semi-structured interviews are the most common methods in qualitative research because they mostly comply with the standards and principles of qualitative research. Thus we conducted semi-structured interviews with 20 open-ended questions to guide the interviews instead of rule the interview.

Churchill and Iacobucci (2005) present template to develop questionnaires as a guide or checklist including specification of what information will be sought, determination of type of questionnaire and method of administration, determination of content of individual questions, determination of form of response to each question, determination of wording of each question, determination of sequence of questions, reexamination of steps and pretesting of the survey. While designing our interviews, we took advantage of Churchill and Iacobucci’s checklist. Although it has been developed for questionnaires we used for organization of our interviews as well as for developing a better structure. According to our purpose of study and research questions, what information will be sought specified and categories are determined in line with our literature review. Among main methods of administration, we decided on personal interviews through Skype. Before the interviews, we contacted with the interviewee through several e-mails to ask corporate documents related to CSR practices of company. After gaining prior information from the corporate CSR related reports provided by the interviewees, the content of individual questions are determined according to need and necessity of that question and the respondents information. Form of response to each question is determined upon the information needed. Most of our questions are open-ended so that respondents are free to reply in their own words rather than being limited to choosing between alternatives. At the end of questions specific examples are asked for in-depth analysis. In determining the wording of each question, simple words and concepts are used; ambiguous words are avoided; words that might lead the respondents are avoided. For the sequence we follow the sequence of RQs and important criteria of our research and categorized them.
To investigate in depth about suppliers' perception on CSR related issues, personal interviews with key persons were held to collect the data. Ind (2001) indicates that when enquiring into corporate cultural related issues, there is no best way to implement. However one method has confirmed to be effective as identity, is one-to-one interviews with senior managers to determine their organizational perception. Although the difference between face-to-face interviews and Skype interviews is not so influential for the questions construction, we explained more in the beginning of the interviews to make sure the interviewees understand clearly without losing their interests. We also rearranged the questions to put more emphasized ones first because Skype/telephone interviews cannot be as long as face-to face ones (Sarantakos, 1998). To ascertain productivity, we intended to have the more important answers before the interviews get too long. So the respondents could be more actively engaged in the interviews.

The whole interview process includes three interviewees. The duration of the interviews was between two and three hours. The essence of the interviews was basically to get information on CSR definition, benefits, supplier-buyer relation and CSR compliances to answer our initial research questions. In order to better remember and organize those interviews, conversations were recorded and notes were taken during the interviews under the premise of interviewees' awareness.

Interviews were carried out for Turkish company in two sessions due to misassumptions on the duration of interviews. It approximately took four hours. For the interview with the Chinese supplier, the interviewee was informed in advance and it was carried out in two sessions which is approximately three hours. To sum up, in total six interviews were carried out with one supplier from Turkey and one supplier from China.

The Turkish supplier company employs a hierarchical structure in which CEO is at the top of the organization and is followed by directors and managers of production processes, finance and auditing, HR/API/Social Compliance, business development and supply chain and purchasing.(can be seen in Figure 4)
Figure 4. Organizational chart of Turkish supplier

The positions of interviewees at Turkish supplier company is as following:
- Corporate Communication Manager
- Production Planning Expert

The Chinese supplier company follows a leadership structure as its parent company. The whole company’s board of directors is under control of the parent company’s global operation department. Under the president of the Chinese subsidiary, there are executive managers of Business Development, Office Products, Human Resource, Strategy & Technology, Legal & Secretary, New Growth Platforms and Marketing & Public Relations (can be seen in Figure 5)

Figure 5. Organizational chart of Chinese supplier

The positions of interviewee at Chinese Supplier Company is:
- Marketing Manager

First, basic information about company and its business are provided by the Production Planning Expert of Turkish company. Then, its partnerships, their communication with partners, its stakeholders, and especially suppliers are explained. Additionally, with a list of Turkish company’s suppliers from China, we had chance to contact with some of them and got some information about their CSR practices.

According to the Chinese interviewee’s preference, all interview questions were sent to him in advance. Some questions were selected to be answered first by him through email and we counted this as first session. Nearly 10 questions were answered after the first session. The second session was conducted through Skype interview which lasted for 3 hours.

The information about the interviews and interviewees are as following:
<table>
<thead>
<tr>
<th>Interview Number</th>
<th>Supplier Company</th>
<th>Interviewee</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Turkish company</td>
<td>Production Planning Expert</td>
<td>Interview data: 24 May 2012 Questions answered: first 10 questions Via Skype</td>
</tr>
<tr>
<td>2</td>
<td>Turkish company</td>
<td>Corporate Communication Manager</td>
<td>Interview data: 24 May 2012 Questions answered: first 10 questions Via Skype</td>
</tr>
<tr>
<td>3</td>
<td>Turkish company</td>
<td>Production Planning Expert</td>
<td>Interview data: 31 May 2012 Questions answered: remaining 10 questions Via Skype</td>
</tr>
<tr>
<td>4</td>
<td>Turkish company</td>
<td>Corporate Communication Manager</td>
<td>Interview data: 31 May 2012 Questions answered: remaining 10 questions Via Skype</td>
</tr>
<tr>
<td>5</td>
<td>Chinese company</td>
<td>Marketing Manager</td>
<td>Data: 30 May 2012 Questions answered: nearly 10 questions chosen by the interviewee Via email</td>
</tr>
<tr>
<td>6</td>
<td>Chinese company</td>
<td>Marketing Manager</td>
<td>Interview data: 14 June 2012 Questions answered: remaining 10 questions Via Skype</td>
</tr>
</tbody>
</table>

The transcripts of recorded interviews were typed and used for the empiricals. In the main body of the thesis, all empirics are not included as some of the information gathered was not important to answer research questions. Therefore, such extra information like ‘Global Compact Principles’ (Appendix B) were put in the Appendices. This information could be interesting for the reader to get a deeper understanding about
supplier practices and compliance but the information was not important for our analysis, conclusions and recommendations.

2.4. Data Analysis

When conducting the analysis, our model from the theoretical framework chapter was used. The concepts from the model were analyzed separately and harmonized with the findings from empiricals. Taneja et al. (2011) state that data analysis techniques help researchers in summarizing data; understanding the effect of variable(s); minimizing confounding effects inherent in data like interviews; and assessing alternative future scenarios. Among major techniques used for data analysis we needed to employ one of the analysis techniques of qualitative data. The most common analysis of qualitative data is observer impression. That is, expert or bystander observers examine the data, interpret it through forming an impression and report their impression in a structured and sometimes quantitative form. In our case, empirical data were examined and our impressions were given in a structure coming from the outcomes of theoretical framework chapter.

2.5. Quality of Research

To test the quality of our research, the validity, reliability and generalization will be discussed. It is important for researchers to test and demonstrate that their studies are credible.

2.5.1. Validity

Validity reflects on whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure. (Joppe, 2000) To ensure the validity, the purpose and research questions of the research have been worked as a blueprint for the entire research. The research questions were broken down into relevant questions in the interview guides, which can be found in the Appendix A, to ensure that the relevant data was collected to fulfill our research purpose. Another way of dealing with the validity problem was to assure that the interviewees were aware of the purpose of research and the aim of the interviews. Thus, the questionnaire was sent to the interviewees in advance so that they could gain a prior knowledge and prepare themselves. Kvale (1997) says that the selection of the interviewees is very important for the research and we made sure to interview the right people within the companies, depending on their experience and knowledge in the CSR-area. For instance, one of our interviewees from the Turkish supplier was Corporate Communication Manager which meets Kvale’s selection criteria. The other interviewee from the same company was Production Planning Expert which helped us with her personal observations in the work environment and especially with the concrete implications of CSR practices. Finally, the
research is based on the theories in the chapter of theoretical framework to make sure the purpose is fulfilled.

Still, there might be some errors due to some terms and concepts remained unclear during the interviews. Even if the interviewees were very knowledgeable about CSR, the answers might remain insufficient as the interviews were not conducted in their own language. We preferred to make the interviews in English for both of us (researchers) to be present during the interviews and to prevent from ‘lost in translation’. One of the authors is from China and one is from Turkey, this smoothed the process of interviews with better cultural understanding. Thus the interviewees were feeling comfortable to some extents. Communication problems were avoided as they were aware that we understand what they mean exactly even if their English explanation was not that good. Also, they were eager to answer all questions and we never felt that it was getting boring for the interviewees.

Additionally, problems as misinterpretations were eliminated considerably. When the interviewee needed translation or clarification of some questions, one of the authors was able to clarify it in his language to get richer and more accurate information. Later the information was translated to the co-authors for sure. For instance, they were not familiar to some concepts such as philanthropy; vice versa we needed some explanation for auditing terms or sub-contractor/supplier/partner/buyer/customer concepts within their company.

After the interviews were finished, the transcripts, notes and texts in the report about their CSR practices were sent to the respondents as promised. We also promised after the research is completed, the whole report will be sent to them as well.

2.5.2. Reliability

Reliability refers to how consistent the results are (Kvale, 1996). It is also about consistency with which interview items are answered or individual’s scores and answers remain relatively the same can be determined through the test-retest method at two different times (Charles, 1995). In other words, reliability implies that the result would be the same if the study would be done repeatedly.

To assure reliability the interview questions could have been asked in a different way for the second time. We did not perform reliability test in a planned manner; however some changes were made so that fewer clarifications were needed for the interviewee and that would increase the reliability of the study. In addition, while doing interviews of the Turkish company, the information gathered from two interviewees from different backgrounds helped us to find descriptions and the meanings of central themes. At he end, explanations that have been done in a similar way by the two interviewees helped
us to assure reliability. The main task in interviewing is to understand the meaning of what the interviewees say (Kvale, 1996). Here, what interviewees say and in which way they explain concepts was important so getting quite close answers assures reliability of our interviews.

### 2.5.3. Generalization

The first and main limitation of the research emerges from the empirical data provided by two suppliers of NIKE, Inc. in each country. This directly indicates that generalizability of results is limited. The purpose of our research is to understand the perspectives of suppliers in emerging economies on CSR. Of course, it is not possible to generalize our findings for all suppliers in emerging economies even only for Turkey and China with only one company from each country. On the other hand, empirical data about NIKE, Inc., can be generalized for multinational companies as they are approximately perform similar practices and they follow globally accountable principles. Still, even if practices that are initiated from suppliers cannot be generalized to whole country, the initiations coming from multinational company can give a general idea to the reader.

When we consider our research within the industry, our research findings can be informative for the textile industry in the country due to laws that are coming from the government and private textile labor organizations. However, findings cannot be generalized to broader extent in terms of other industries.

Furthermore, due to limited time for the research coming from the nature of being a master thesis, CSR from suppliers’ perspectives were only studied in its general terms. It is a very interesting topic and many actors are involved in this issue like stakeholders of global supply chain, media, government and so on. Thus, we believe the future research can carry out a more detailed study on this topic. By taking a larger sample of suppliers, more interviews should be carried out. A larger sample set from other industries can make the results more generalizable.
3 Theoretical Framework

This chapter provides a thorough study of all subjects that are relevant to our research area through existing literatures and theories. Intensive literature study would build a fundamental theory construction of CSR, supply chain, etc., as well as these theories’ importance. Two main sections will be presented to cover our research area. First, CSR in general, including the following subjects:
• Definitions of CSR
• CSR in supply chain
• Codes of Conduct
• Supplier-buyer relationship and CSR
• Corporate social innovation (CSI)
• Corporate reputation and CSR

Second, CSR in emerging economies, including:
• CSR in China
• CSR in Turkey

Introduction of Theoretical Framework

Nowadays, the concept of CSR is attaining growing interest in corporate world. It appears increasingly in industries like apparel, toy, and food. It has been seen as the link between business and the society as well as the company’s extra credits for building up a good image and reputation and companies’ competitiveness. Consequently, academic interest in the field of CSR has grown and CSR is addressed by various disciplines.

Taneja et al. (2011) formed a model with five broader concentration areas of CSR concepts: changing meaning, definitions, and models of CSR; factors determining CSR initiatives; CSR in actions; affect of CSR on stakeholders and financial performance; and measurement of Corporate Social Performance (CSP) (which can be seen in Figure 6). To formulate our theoretical framework, ‘mental models of CSR concepts’ defined by Taneja et al. (2011) are used. In other words, concepts in Figure 6 served us as a road map for theoretical framework. First part of our theoretical framework was formed primarily based on relevant concepts from this model. According to relevancy to our research purpose, based on ‘mental models of CSR concepts’ by Taneja et al. (2011), redefined model in Figure 7 shows chosen concepts to continue doing research. First, definitions of CSR are discussed narrowly. Second, CSR concept in supply chain and affect of CSR on stakeholders are discussed in which supplier is the core of this section. Third, as CSR in supply chain literature mostly implies close relationship with codes of conduct, they are discussed as next. Furthermore, supplier-buyer relationship with its general terms, types of supplier-buyer relationships and its relation with CSR concept is
described. Lastly, the impact of CSR on suppliers is discussed considering terms: corporate social innovation (CSI) and corporate reputation.

In the second part of this chapter, CSR will be discussed only in the context of emerging economies. Referring to our research questions and scope, CSR concept in emerging economies in general are discussed and some facts (background, motivations, politics) specific to our research countries (China and Turkey) are given.

Figure 6. Mental models of CSR concept and their interrelationships (Adopted from Taneja et al., 2011)
Figure 7. Redefined mental models of CSR concept based on Figure 6 (Modified from Taneja et al., 2011)
Corporate Social Responsibility

3.1. Definitions of Corporate Social Responsibility

In order to define CSR concisely which was posed as our research question, we first need to study in depth of CSR environment. The perspectives and practices of CSR need to be defined clearly in order to better understand the bigger picture of CSR.

Many existing study on CSR have led to the conclusion that although CSR is a widely known concept and is a practical one, there is no general agreed definition of CSR in practice (Carrol and Buchholtz, 2000; Anderson and Larsen, 2009). After more than four decades of research and practice on the subject CSR, researchers and business community acknowledged that there is no agreed single definition of the term CSR (Taneja et al., 2011). There are varieties of CSR definitions and those definitions are evolving over time as the public’s expectations have changed over time (Lee and Carroll, 2011). Mohr et al. (2001) defines CSR in a vague and broad way as “A company’s commitment to minimizing or eliminating any harmful effects and maximizing its long run beneficial affect on society.” While Lee and Carroll (2011) try to define it in detail by categorizing it into four chapters: economic responsibility (be profitable), legal responsibility (obey the law), ethical responsibility (be ethical), and philanthropic responsibility (be a good corporate citizen). It can also be determined simply as the responsibilities to society which extend beyond economic and legal obligations (Lee and Carroll, 2011).

Up to now, the common aspect is that the definition is emphasizing more on one or two aspects of CSR as ethical and philanthropic responsibility (Lee and Carroll, 2011). Nevertheless, all the concepts of CSR in terms of CSR prizes and awards, CSR reports, CSR related regulations, and CSR guidelines differ according to each country (Lee and Carroll, 2011; Fombrun, 2005). In line with Lee and Carroll (2011), Taneja et al. (2011)’s intense study on the concept CSR points out that the definition evolves in concordance with local situations. This is the consequence of globalization and mass communication nowadays. Global trends vigorously affect the stability of the definition of CSR (Taneja et al., 2011). This variety of CSR definition between societies will be shown in Table 1.

Apart from researchers’ disagreement on CSR, the environment also influences it. Different countries or organizations have different arguments on it. As the local situation is reflected within the definition of CSR (Taneja et al., 2011), countries intend to describe CSR from different perspectives. Here, definitions from the most prestigious organizations and different countries are selected as follows to prove this theory: World Bank Group gives CSR interpretation from the global point of view as one of the five international organizations mainly dealing with global finance and loans.
European commission, as the administration of European Union, mainly dealing with European Union’s legislation and decisions could define the term within the European context.

The United States of America and Canada are given as two representatives of developed countries giving different definitions other than European countries.

China and Turkey, as two representatives of developing countries and our research interest, the definition of CSR is provided by the governments. Their description of CSR would be focused in the end because these two countries will be the two articles to be investigated in our thesis study.

Table 1 shows the explicit definitions by these organizations and countries mentioned above.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank Group</td>
<td>The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life, in ways that are both good for business and good for development (Petkoski and Twose, 2003).</td>
</tr>
<tr>
<td>European commission (developed)</td>
<td>A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (European Community, 2001).</td>
</tr>
<tr>
<td>Country</td>
<td>Definition and Responsibilities</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The United States</td>
<td>The United States government defines CSR broadly as a way to associate business with several other issues including the environment, human rights, and employment. However, the United States government also perceives the CSR concept as an umbrella concept that needs refinement by those who are applying it (Freeman and Hasnaoui, 2011, United States Government Accountability Office, 2006). American agencies which are working toward CSR defines the range of CSR covers business ethics, community development, human rights, environmental issues, and labor (Freeman and Hasnaoui, 2011). American citizens see the concept of CSR as a commitment of the organization to engage with the community its treatment of its employees, and its response to environmental protection. They suppose the government to legislate rules for companies to establish their appropriate auditing systems (Freeman and Hasnaoui, 2011; Fleishman-Hillard, 2007).</td>
</tr>
<tr>
<td>Canada</td>
<td>As everywhere else, there is little agreement of definition of CSR in Canada. The Conference Board of Canada indicates that the relationship between an organization and stakeholders are important because “the inclusion of investment in the community outreach, employee relations, creation and maintenance of employment, environmental stewardship, and financial performance within their understanding of CSR” (Freeman and Hasnaoui, 2011)</td>
</tr>
<tr>
<td>Chinese government</td>
<td>Corporations should carry out their social responsibilities by abiding by all relevant laws, regulations, and business ethics codes. While pursuing economic profits, corporations are held responsible by shareholders, employees, consumers, suppliers, communities, and other stakeholders. Moreover, corporations have responsibilities to protect the environment (Freeman and Hasnaoui, 2011).</td>
</tr>
</tbody>
</table>
Efforts to behave socially responsible on social, economic and environmental issues so that business can have a positive affect the development of the society. CSR Association in Turkey believes companies should and can implement CSR practices and policies into their businesses (“Who We Are,” 2012). This will not only help to improve the development of the society they operate in but also shall be beneficial for their business, as well as a profitable strategy for themselves.

Table 1. Various definitions of CSR

Comparison of definitions

Comparing the above 6 definitions from 6 counties or organizations, some similar perspectives on CSR could be achieved. All define the range of CSR cover environmental and social aspects. All identify that CSR is the link between business with the society, presented as “business with other issues” or “economic and environmental issues”.

The European Commission, Canada and China all refer to interactions with stakeholders, while the World Bank Group and the US and Turkey do not.

Almost all cover employment issues in CSR scope except Turkey and the European commission. Yet they cover it in different forms, as Canada note it as “employee relations and maintenance of employment”, and the World Bank Group note as “employees and their families”.

The European Commission defines CSR implementations or practices are on voluntary level while the US and China define it as abiding relevant laws or legislate rules. In terms of this, the World Bank Group defines it in a more modest way as “a commitment”. The World Bank Group, the US and the Conference Board of Canada all determine the CSR activities are contributions to the community or local community while others broadly determine the CSR activities are for the whole society development.

Among 6 definitions, Canadian CSR definition is the only one which mentions it as “an inclusion of creation”. This might indicate the relation between CSR and corporate innovation.

Among 6 definitions, Chinese CSR definition is the only one that mentions the term “supplier”, which might be the reflection of China being one of the biggest outsourcing countries in a global economy.
It is interesting to find the common aspects regarding CSR between China and Turkey. Both definitions link CSR practices with economic profits. As China states as “economic profits pursuing” and Turkey states it as “be beneficial for their business”. This common perspective also distinguishes these two definitions from the other ones. Others don’t mention CSR distinctly as profit making, although the World Bank Group similarly indicates it as “for sustainable economic development”.

<table>
<thead>
<tr>
<th>Similarities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept</td>
<td>Mentioned by institutions/countries</td>
</tr>
<tr>
<td>CSR cover environmental and social aspects</td>
<td>All</td>
</tr>
<tr>
<td>The link between business with the society</td>
<td>All</td>
</tr>
<tr>
<td>Interactions with stakeholders</td>
<td>The European Commission, Canada, China</td>
</tr>
<tr>
<td>Covering employment</td>
<td>World Bank Group, the US, Canada, China,</td>
</tr>
<tr>
<td>With economic profits</td>
<td>China, Turkey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Differences</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Different concepts</td>
<td>Mentioned by institutions/countries</td>
</tr>
<tr>
<td>Voluntary level vs. abiding relevant laws</td>
<td>The European Commission (voluntary) The US and China (abiding laws)</td>
</tr>
<tr>
<td>Local community vs. whole society</td>
<td>The World Bank Group, the US and Canada (community) The European Commission, China and Turkey (whole society development)</td>
</tr>
<tr>
<td>Responsibility by supplier</td>
<td>Only China</td>
</tr>
<tr>
<td>An inclusion of creation</td>
<td>Only Canada</td>
</tr>
</tbody>
</table>

Table 2. Comparison of different definitions of CSR
3.2. The Pyramid of Corporate Social Responsibility

In defining CSR, ‘responsibilities to society’ was the basis to start covering CSR concept. Carroll (1991) suggests that four kinds of social responsibilities constitute total CSR of business organizations: economic, legal, ethical, and philanthropic. In other words, the total corporate social responsibility of business entails the simultaneous fulfillment of the firm's economic, legal, ethical, and philanthropic responsibilities (which can be depicted as a pyramid). This pyramid of Corporate Social Responsibility is a good visualisation of the basic responsibilities of organizations to provide better understanding of our empirical data. (Figure 8)

Among the four components of CSR, the basic building block is the economic performance of business organizations which comes from its principal role of producing goods/services and making an acceptable profit (Carroll, 1991). It is the building block, because without it other components become moot.

At the same time, organizations are expected to pursue their economic missions within the framework of the law. The law here is society's codification of acceptable and
unacceptable behavior (Carroll, 1991). To obey the law as a next layer on the pyramid, reflects legal responsibilities.

Next is to be ethical. Ethical responsibilities are the obligation to act upon standards, norms, or expectations of what is right, fair, and just for the stakeholders; or in keeping with the respect or protection of stakeholders' moral rights (Carroll, 1991).

At the top of the pyramid, philanthropic responsibilities - expectations to be a good corporate citizen - are depicted. This includes actively engaging in acts or programs to promote human welfare or goodwill (Carroll, 1991). Compared to the other layers, philanthropy is more discretionary or voluntary (Carroll, 1991). Even if firms do not contribute their financial resources or time to actively engaging in humanitarian acts or programs, they are not regarded as unethical.

3.3. CSR in Supply Chain

To compete and survive in the global market, organizations increasingly become aware of the fact that they must rely on effective supply chains. In doing so, corporations (MNEs) are compelled to contract suppliers located in emerging economies to manufacture their products. This draws great attention to social and environmental issues in supply chains of those MNEs located in ‘politically and environmentally sensitive regions of the world’ (Holme and Tinto). Hence, it creates diverse risks both financially and reputational for the corporations that are unable to manage its supply chain considering CSR issues (Holme and Tinto). In other words, today’s new economic order and highly competitive environment enforces companies to evaluate the impact of their supply chains not only financially but also socially and environmentally.

3.3.1. Link Between CSR and Corporation’s Stakeholders

In their studies, Markley and Davis (2007) examine systems incorporating social and environmental issues besides financial implications from having successful supply chain partnerships. According to them, the anchor (basis) of CSR is that a corporation should act upon being socially and ethically accountable by an expansive array of stakeholders - such as employees, consumers, governments, communities, NGOs, investors, supply chain members, unions, regulators, the media - and even the broader society including future generations (Markley and Davis, 2007). Here, the emphasis is more on the corporation’s stakeholders instead of the definition of CSR itself. To clarify, a corporation’s stakeholders can include: shareholders, non-governmental organizations (NGOs), business partners, lenders, insurers, communities, regulators, intergovernmental bodies, consumers, employees and investors (Hohnen, 2007). (can be seen in Figure 9)
To optimize the long-term value of the corporation, its values need to be aligned with the needs of society. In this way it can avoid conflict and reap tangible benefits. To do this it has to balance the needs of a range of stakeholders. The emphasis here is on that meeting the needs and expectations of stakeholders requires special attention on social responsibility issues.

World Business Council for Sustainable Development (WBCSD) defines supply chains as complex interrelationships between a wide range of companies. Especially, actions of their direct and indirect suppliers can easily affect corporations. The consequences of bad practices of those in the chain, such as the use of child labor and polluting production methods, can be inherited (Holme and Tinto).

With regard to link between CSR and supply chain, World Business Council for Sustainable Development (WBCSD) notes following results from their dialogue sessions:
- Traditional boundaries of responsibility along a supply chain are changing with an increase in pressure on companies to apply a full life cycle approach to their products
• Supply chain issues are highly variable depending on the industrial sector and percentage of market share
• There is a possibility that companies at the high-end of the supply chain can use their competitive positioning to influence others in the chain, especially through sectoral alliances
• Supplier relations should be a ‘two-way street’ with responsibility extending in both directions.

3.3.2. Dimensions of CSR from a Supply Chain Perspective

Social responsibility concepts in the supply chain are increasing in importance. From a supply chain perspective, it is not correct to associate CSR only to business ethics, but also it encompasses dimensions including philanthropy, community, workplace diversity, safety, human rights, cause related marketing, minority support, socially responsible employment and manufacturing processes (Markley and Davis, 2007).

Within the CSR literature of Carter and Jennings (2004), CSR is defined as specific sets of activities including charitable and philanthropic donations, community considerations, the advancement of gender, racial, and religious diversity in the workplace, safety, human rights, and the environment. Considering this view, supply chain CSR categories of environment, diversity, human rights, philanthropy and safety were established (Carter and Jennings, 2004). Labor practices, procurement, and affirmative action buying are some other areas included in supply chain CSR literature (Markley and Davis, 2007).

3.3.3. Supply Chain Pressure

Baden et al. (2009) find supply chain pressure more powerful for social and environmental change than local regulations, in which large organizations take initiative with CSR criteria into purchasing. To address social and environmental issues in global supply chains, multinational corporations develop codes of conduct. However, it creates problems like cost or confusions. To overcome these problems, large organizations provide incentives and support to small medium enterprises to make compliance economically valuable (Baden et al., 2009). Besides, “the overwhelming motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to ‘doing the right thing’ or ‘putting something back’” (Baden et al., 2009).

From the supply chain perspective, role of purchasing (managers) can be determinant or powerful on a firm's involvement in socially responsible activities (Carter and Jennings, 2004). Studies in the area of purchasing has evolved around socially responsible logistics, environmental purchasing, purchasing from minority owned suppliers, labor conditions, ethical issues in buyer-supplier relationships (Carter and Jennings, 2004).
This increasing attention and importance on CSR from supply chain perspective, can also be linked to firm’s reputation due to significant effect of the conduct of purchasing and supply chain management within the literature (Salam, 2008). As a link between CSR in supply chain and corporate reputation.

3.4. Codes of Conduct

A code of conduct is a documental agreement between a buyer company and its suppliers regarding environmental and social principles (Mamic, 2005; Jenkins, 2001; Anderson and Larsen, 2009). It is normally expectations from the buyer companies, and in most cases it is a checklist that the supplier companies are supposed to fulfill.

Emerging economies first “handshaking” with CSR practices is often through MNEs or more directly, through Codes of Conduct developed (Gugler and Shi, 2010). For ‘CSR-friendly’ supply chain concerns, companies get “license of operate” in doing business with MNEs (Gugler and Shi, 2010). For instance, due to increasing labor rights advocates all around the world, many Chinese suppliers are obliged to get international certification to do business with MNEs.

Codes of conduct, which is also referred to as a ‘codes of ethics’ or ‘codes of business standards’, outline expected conduct from the organization’s employees and stakeholders (Erwin, 2010). When commitment to CSR is an issue, codes of conduct are the common tool employed by companies to establish CSR policies, maintain responsible business practices and create an ethical organizational culture (Collins, 2004; Erwin, 2010). For example, for cases like “sweatshop” - notoriously inhuman and immoral labor related issues - many large international corporates in developed countries have adopted corporate codes of conduct to regulate labor practices of their overseas suppliers (Yu, 2008).

Further, codes of conduct serve for the positive reputation of company as it is associated with CSR awareness and engagement by preserving and legitimating the company’s public image (Erwin, 2010). Erwin (2010) includes benchmarked codes of conduct into his studies to estimate the CSR performance of suppliers/buyers. Besides being an indicator of companies’ success on CSR, codes of conduct can bring additional benefits like product differentiation, risk management and reduced negative consumer actions and improved customer relations (Erwin, 2010).

Recently, codes of conduct have been adopted in the majority of large corporations as means of a ‘modern business’ (Erwin, 2010). Codes of conduct are required to be consistent with stakeholder values and expectations and corporate values and objectives (Stevens et al., 2005). IKEA has been a pioneer in this field. After a growing campaign regarding CSR in 1990s, IKEA management realized the requisite to improve
environmental and social conditions of its suppliers in countries, where the environmental and social agenda is still on the developing phase (Andersen and Skjoett-Larsen, 2009). Hence, IKEA developed its own code of conduct, which is referred to as “IWAY” - “The IKEA Way on Purchasing Home Furnishing Products”. IWAY covers widely from working conditions, child labor to forestry management. The motivation behind IWAY is stemmed from its long term belief - “to take responsibility for people and the environment is a prerequisite for doing good business” (IKEA, 2009).

There still exist obstacles of implementing IWAY on some suppliers. Twentyone percent of all products that are manufactured in Asia are from China. Whereas China’s fulfillment rate of IWAY could only reach 67 percent (Bergmark, 2007; Bhuthongkum and Olafsson, 2009). The result indicates that even though the buyer company is a pioneer in CSR world, there is still a long path to reach holistic CSR on supply chain, especially when it comes to suppliers in developing countries.

**Voluntary Standards such as United Nations Global Compact(UNGC) and SA8000**

Given the variability of existing private codes of conduct and their complexity, there is a need of a universally recognized and accountable agreement that gathers companies. One of the world’s largest corporate citizenship and sustainability initiative, in this manner, is the United Nations Global Compact(UNGC) that sets 10 principles in the areas of human rights, labor, environment, and anti-corruption (Williams, 2007). The Global Compact, in short, focuses on the implementation of best corporate social responsibility practices.

Kola Badejo, principal adviser to the United Nations Global Compact's (UNGC) executive head George Kell, points out that the UNGC is a voluntary, not a regulatory instrument (Williams, 2007). It does not police or enforce the behavior or actions of companies; rather, it is designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships (Williams, 2007). It can only empower businesses with the opportunity to entrench the UNGC's 10 principles as part of their business strategy.

Thus, participation in the UN Global Compact goes beyond signing up on those 10 principles. Companies seek the best mechanisms for implementing Global Compact that fits its corporate culture and can result in better performance. One mechanism is the SA8000 global social accountability standard (workplace standard as a tool to implement) for decent working conditions developed by Social Accountability International(SAI). SA8000 works as a tool and creates a synergy between UNGC that participants or companies benefit from. In other words, SA8000 works as a roadmap for UNGC implementation in country specific contexts.
The CEO of Rosy Blue Group, an Indian company in diamond business, comments that “the UN Global Compact is adding much value to our business, not necessarily in dollars and cents, but in terms of better relationship with customers, the suppliers, and the workforce.”

Furthermore, the director of corporate responsibility of TNT - Amsterdam-based global provider of transportation and distribution services - believes that: “The challenge in this century is to recognize that profitability is no longer the only indicator of success. Sustainable organizations will be those that integrate social and environmental demands with the demands of business and influence others in the process, creating responsible enterprises by taking sustainable action.”

The studies of the Center for International Private Enterprise(2010) about UNGC and SA8000 make such conclusions:
- Voluntary standards such as the UNGC principles and Social Accountability International’s SA8000 workplace standard help companies capitalize on the benefits of good corporate citizenship.
- Key benefits of a responsible business conduct include: improved sales, employee satisfaction, community relations, and brand and industry reputation.
- Implementing the requirements of the UNGC and SA8000 on a global scale is feasible not just for large corporations but also for smaller companies which find practical ways of integrating social and financial goals.

3.5. Supplier-Buyer Relationship

In this section of literature study, two existing different ways to categorize of supplier-buyer relationship will be chosen; some prevalent terms of supplier-buyer relationship will be introduced then and what affects the relationship in general as well as what might have additional effects when CSR is involved will be discussed in the end.

As more suppliers commit to sustainability and CSR policies requirements, the pressure from the buyer company is increasing considering the suppliers’ perspective. Whether this pressure has an impact on supplier-buyer relationship as well as to what extent this impact remains positive or negative need to be explored.

Our study is concentrated on the link between CSR requirements (compliance) and supplier-buyer relationship. In order to understand the link, it is important to define the supplier-buyer relationship itself. Thus in order to know what supplier-buyer relation entails, some common terms in this context should be understood first.

3.5.1. Some Terms Regarding Supplier-Buyer Relations
Bargaining Power

In a collaborating supply chain relationship, the phenomenon of balanced or unbalanced bargaining power always exists. Nair et al. (2011) defines bargaining power as the overall resource level and competence of a firm which leads to high dependence of one partner on the other’s capabilities and advantageous pricing arrangements.

Information Sharing and Inter-organizational Trust

Open information sharing can definitely result in successful relationship learning. However, it can also break a good supply chain partnership (Jean et al., 2010). The sharing should be on an appropriate level. Just as the same, trust issues also have its bright side and dark side of relationships. A good relationship is built on a basis of trust between partners. In cross-border customer-supplier relationships, trust is positively related to relationship learning which is fundamental to a good committed supplier-buyer relationship (Jean et al., 2010). It is acknowledged as a powerful tool but must be regularly reinforced and encouraged because it is very fragile (Eric). Heightened trustworthiness has a risk of one part taking advantages of the trust and uses it for other goods. When it comes to cross-border relationship, the risk becomes more significant because the cultural difference and distance make it take longer time and more costly to build this level of high-trust (Jean et al., 2010).

Inter-organizational Dependence

Dependence is one vital element in establishing business collaborative relationships. Fraizer (1983) determines dependence among supply chain members as the extent to which one party needs to maintain the relationship more in order to achieve its own desired goals. Anderson and Narus (1990) defines the dependence as the extent to which a firm will have influence over, and be influenced by, its partner.

In the global market, most companies are not able to be internally satisfied with its own competence. The dependence of one party upon the other has been given the illustration of power (Anderson and Narus, 1984). For instance, when a buyer needs a particular supplier because it provides important organizational benefits and would be almost impossible to substitute with alternative firms. The dependence upon this particular supplier from the buyer occurs, and vice versa. Moreover, the dependence would increase as the value of the benefits increases. As the independence increases, the buyer’s commitment to the supplier would increase, which leads to a stronger business relationship and stronger bonds with the supplier firm (Tellefsen and Thomas, 2005). Likewise, the supplier’s dependence to the buyer is the same scenario.
As mentioned above that trust between business partners can positively influence business to business relationship, dependence can also activate a development of long-term relationship. However, this differs from trust. Dependence can be advantageous to maintaining and development of a sound relationship if one party provides outcomes that meets or exceed the other party’s expectations in terms of benefits like quality products, discounts etc (Anderson and Narus, 1984).

3.5.2. Types of Supplier-Buyer Relationship

In order to define the concept of CSR in supplier-buyer relationship, some indicators in terms of supplier-buyer collaboration in broader terms are employed. However, the difference between Western and Eastern culture are not included in this chapter. Webster (1992) indicates seven types of partnerships. These seven types of partnerships differ ranging from traditional transactions to vertical integration regarding the level of commitment. As the Figure 10 shows, the more to the left, the more market control exists between companies; vice versa, the more to the right, the more administrative control exists.

![Figure 10. The partnership continuum](Adopted from Webster, 1992)

In another way, Bowersox et al. (2010) present alliance types in terms of acknowledged dependency and information sharing, as Figure 11 shows. The least information sharing relationship is named as “contract relationship” according to Bowersox et al. (2010), in which simply buying and selling products activities are included. The most information sharing relationship is named as “enterprise extension”. In this type of relationship, the partners involved are having the same operation strategies or resources.
Having understood the relevant terms mentioned above and classifications of supplier-buyer relationship in general, we can then further find the connection between CSR and supplier-buyer relationship, as one of our core aspects in this research study.

3.5.3. CSR and Supplier-Buyer Relation

Less attention has been paid to the connection between CSR and supplier-buyer relationship. As presented as one of the research questions, our focus is on CSR requirements from the buyer company and its impact on the supplier-buyer relationship. In any case, when a buyer has requirements regarding CSR for the overseas suppliers to comply, a good relationship absolutely demands more trust and information sharing. If either of them signals an interest in establishing a mutual beneficial and long-term relationship, the way in which they handle CSR requirements (compliance) seems very important. After studying some previous theories on CSR and supply chain management connection, there are mainly 2 aspects to have the most significant impact on supplier-buyer relationship.

• CSR monitoring
• Trust (regarding CSR relevance)

CSR Monitoring and Relationship

Monitoring is mentioned as one simple and direct way for the buyer to implement its CSR requirements although it seems purely transaction relation type (Bowersox et al., 2010). However, only a minority of firms with codes of conduct implement monitoring because in global supply chains, monitoring is pointed as complicated and costly (Pedersen and Andersen, 2006). This is in line with Jean et al. (2010)’s point of view that high level of monitoring (or inspection) itself tends to represent an adversarial instead of a collaborative stance. Also they deem that such monitoring implicitly presents a supply chain ‘bully’ rather than a CSR ‘champion’ (Jean et al., 2010).

According to Pedersen and Andersen (2006), monitoring could be an effective mechanism to improve supplier compliance and a third party involved monitoring is recommended in implementation of codes of conduct. For instance, ChemNutra, an American pet food company, had a damaged experience of lacking CSR control and
audition on its Chinese supplier, which was caught to be using tainted products in the production of their pet food. This led to 12,000 animals’ death in the USA (Markley and Davis, 2007). Not only ChemNutra disappointed its stakeholders, but also suffered it from huge final and social image crisis itself.

On the other hand Jean et al. (2010)’s opinions are not completely in accordance with that. They indicate that some level of monitoring is recognized but high level of monitoring can lower CSR compliance and moreover has a bad impact on the performance of supply chain relationships.

**Trust (CSR) and Relationship**

Trust is an obvious way to reduce the high costs from monitoring. The implication of trust is met with greater trustworthiness which serves to build a common bond among supply chain members (Jean et al., 2010).

A high level of trustworthiness between the buyer and supplier can be an efficient safeguard to managing CSR in supplier-buyer relations, especially to build long-term relationships, where the buyer and supplier have accumulated a thorough knowledge about each other (Pedersen and Andersen, 2006).

One example of this is IKEA’s IWAY implementation on its cross-border suppliers. Even though IKEA monitors its suppliers by its own auditors, it does not break off its relations with its suppliers if they don’t comply with IWAY requirements. They break off when the suppliers do not show willingness to improve conditions. This commitment is grounded on the IKEA’s engagement of long-term relationship with the suppliers and the trust on its suppliers.

**3.6. Corporate Social Innovation (Competitive Advantage)**

The need for developing a strategic approach for CSR to stimulate innovation becomes less obscure gradually (Wagner, 2010; Grayson, 2008). This demand is supported by recent studies of the consulting firm McKinsey and the Economist Intelligence Unit. The recent survey study of McKinsey indicates an increasing importance of this need compared to previous years in which respondents give higher priority for a strategic approach to social and environmental issues that are linked with innovation activities (Wagner, 2010; Oppenheim et al., 2007). Similarly, the survey of Economist Intelligence Unit indicates an increase in importance of CSR among executives to their corporate decision making in which CSR is stated to become central (Gugler and Shi, 2010; EIU, 2005).
According to Porter and Kramer (2006), CSR can be much more than a cost or charitable deed by analyzing prospects for social responsibility - it can be a source of opportunity, innovation, and competitive advantage. These opportunities to pioneer innovations can arise in the product offering and the value chain. (Porter and Kramer, 2006) It is demonstrated in the Value Creation Index model of Jonathan Low from Cap Gemini Ernst & Young that a company’s capacity to innovate could be enhanced by CSR through the linkage between reputation and sustainability (Gugler and Shi, 2010; Pearce, 2003). According to Gugler and Shi (2010), the concept and the scope of CSR have evolved from philanthropy action to strategic CSR which contributes to corporate competitive strategy by integrating CSR into core businesses through innovation. It is through strategic CSR that the company will make the most significant social impact and reap the greatest business benefits. (Porter and Kramer, 2006) In addition, environmental management and CSR activities can lead to innovation that can improve firm’s economic performance. (Wagner, 2010) In this mechanism, innovation triggers such as product differentiation and this can lead to higher prices and hence improve economic outcomes. In this manner, studies have been done based on the assumption that CSP fosters innovation and ultimately competitiveness. Scholars have a consensus about the correlation between CSR and overall corporate competitiveness (Murillo and Lozano, 2006) and in the linkage between CSR and its impact on national competitiveness (Gugler and Shi, 2010).

From environmental aspect of CSR, a company’s innovation and productivity usually can be achieved by saving energy or resources. Saving energy can include changing transportation or improving distribution channels. Saving resources mostly refers to materials recycling and reuse.

One example of this is Wal-Mart, the big American retailer corporation. Directly reducing environmental impact, the company widely reduced its packaging and rerouting its trucks from its previous delivery routes, which saved 200 million by shipping more products. Indirectly, the innovation of using disposal plastic in stores has saved the company millions as reduced disposal costs to landfills (Porter and Kramer, 2011).

### 3.7. CSR and Corporate Reputation

CSR issue is not only on the business community agenda but also is on the global public agenda. The effects of such increasing interest in the issues encompassed by CSR are making a direct impact on commercial performance. Here, impacts can be interpreted as social and environmental accusations against corporations or wide array of stakeholders. Such claims can severely damage corporate reputation and lead to a number of unwanted outcomes (Holme and Tinto). In the report of World Business Council for Sustainable Development (WBCSD) such outcomes are discussed:

- Consumer boycotts
• Attacks on fixed assets, such as farmland and buildings
• Failure to attract good employees and loss of employee support
• Extra spending to remedy past mistakes
• Diversion of management attention away from core activities
• Restrictions on operations, such as new legislation and regulation
• Obstacles in raising finance and insurance
• Difficulties with life cycle (customers downstream and suppliers upstream in the supply chain)

Besides those negative outcomes, good CSR performance has started to be linked with good reputation. Corporate reputation is defined as “a stakeholder's overall evaluation of a company over time...based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals”(Gotsi and Wilson, 2001). CSR activities are an important component in building reputational capital. In other words, CSR performance of corporations has become part of selective criteria to the access to investment and financial market (Gugler and Shi, 2010). To generate value of a good reputation, economists focus on the number of times and the range of CSR activities as determining factors (Gugler and Shi, 2010). Whereas, lack of CSR activities or malpractice will cause serious damage to company image as well as financial returns. Corporate image and reputations as intangible assets have increasingly become more valuable than tangible assets of a company (Gugler and Shi, 2010). There are some cases from the corporate world - especially corporations from developed economies outsourcing the production from relatively less developed economies - which are resulted in severe criticisms and damaged company image or reputation like Gap and NIKE, Inc.. Additionally, governments play a great role not only pointing out malpractices but also successful practices within the industry. The concept of “name and shame” is used for using CSR information of companies and make it public either to damage or to promote. (Gugler and Shi, 2010)

Nestle has suppliers all over Africa and Latin America, where agriculturalists are suffering from low productivity and environmental hazards. Nestle chose to work together with its suppliers there intensively by providing them knowledge on how to improve the quality and productivity. It also pays a premium to better beans directly to its growers to improve their incentives. This has not only benefited their supplier-buyer relationship but stimulated Nestle’s profitability and good corporate reputation significantly (Porter and Kramer, 2011).
CSR in Emerging Economies

It is clear that any organization engaged in CSR in emerging economies will be confronted with a diversity of national regulations and cultural values regarding human rights, labour, social dialogue, business ethics as well as protection of the environment and natural resources (Cozannet et al., 2007). This is demonstrated by the fact that while in the US and Europe certain values are considered universal (and therefore solid foundations for a definition of CSR), these remain subject to debate or interpretation in other regions of the world (Cozannet et al., 2007).

As mentioned in the problem statement, there is a gap of showing how CSR activities are practiced in the context of emerging economies (Jamali, 2007). In order to precisely identify CSR definition in China and Turkey and how they deal with CSR related issues differently than developed economies, the first thing needed to be done is to study the background of CSR in those two countries. As explained in the background, we chose these two countries as two representatives because of their big influence in global supply chain of garment industry. Also, another reason of selecting these two countries is that these two countries have a long time confronting CSR issues. The study companies will be two suppliers which are located one in China and one in Turkey. This subsequent section is giving the introduction of CSR in China and Turkey respectively so as to better generally defining CSR in emerging economies. The culture, background, motivations and history of both countries will be detected to identify what makes CSR implementation different in these two countries. Afterwards, CSR in emerging economies in general will be provided as an insight to research question 1. However, the more concrete answer to this question would be more likely found out from empirical data.

3.8. CSR in China

Chinese CSR Contextual Background and History

Ever since China started economic emergence in late 1970s, its economy has been developing positively and its engagement in the global market has been expanding rapidly. Corporate social responsibility emerged quite later. Yang (2008) indicated that the concept of CSR is still new in China.

In between 1997 and 1999, buyer pressure regarding environmental sensibility started to grow. Approximately 20 billion US dollars has been wasted due to rejected Chinese commodities (Zhu,Sarkis and Geng, 2005; Xinhua News Agency, 2011).
Although the situation has been improved generally, there are still setbacks on the process of CSR practices in recent years too. According to Waddock et al. (2002), codes of conduct are the most popular tool to improve working conditions and to support the compliance with social and environmental standards. In many cases, however, Chinese suppliers do not comply with codes of conduct, environmental or social standards (Schneider and Schwerk, 2010). Others consciously breach the codes of conduct (Schneider and Schwerk, 2010; Jiang, 2009). Thus Chinese companies are suffering constantly from a bad reputation of being "low-cost manufacturers that hardly care about labor conditions" (Lübcke et al. 2007).

Since half decade earlier, CSR has gained growing attention in China. An online publication, ChinaCSR.com, was established in 2003 (Levinson, 2009). Since 2004, CSR has become a prominent issue in Chinese policy forum (Lin, 2010). In 2005, the China Social Compliance standard was formulated by Chinese agencies working together with the European Union (ibid). In 2008, one award issued by the American chamber went to FedEx and Orbis for their work in promoting education about and training to prevent blindness in China (ibid).

To clarify the Chinese situation in the past regarding CSR, sweatshops can be a prominent example. “Sweatshop” or “sweat factory” refers to the extreme working environment in which workers usually work long hours with very low payments. It mostly happens in labor-intensive industries (like apparel, toy or sportswear) in low waged developing countries (like Vietnam, Indonesia or China). Sometimes sweatshop term may appear as a child labor and employee abuse. With a globalization on labor standards, a series of anti-sweatshop campaigns were growing in the middle and late 1990s (Yu, 2008).

To illustrate, giant athletic brand NIKE, Inc. made some extraordinary mistakes. In the 1990s, NIKE, Inc. was exposed largely in the media about its sweatshop labor practices in Southeast Asia factories. Protesters posted high criticism on its irresponsibility and its lack of commitment regarding labor standards. However, NIKE, Inc. has learned important lessons from its own mistakes. Since 1996, NIKE, Inc. has been focused on controlling its suppliers’ social labor issues. It devotes more than ever to manage its supply chain partners’ compliance with its standards. It has also put more effort to their auditing system to monitor its around suppliers (Zadek, 2004), which will be presented more detail in empirical data section.

**Motivations for Following CSR as a Competitive Advantage**

Although it might be different drivers for different companies to engage in CSR more actively than before, there are reasons for whole China as a country to promote CSR implementations.
These reasons include customer expectation, media pressure, relevant regulations, peer competitions, government control, global supply chain pressure, etc.

*Customer expectation*

For instance, customer expectations of “green” products are developing dramatically due to constant increasingly heightened environmental awareness especially among young consumers nowadays (Zhu et al., 2005).

*Media pressure*

Chinese media as well as western media started to expose companies’ irresponsibility to consumers while the Chinese advertising industry keeps providing guidelines to consumers about corporate responsibilities (Levinson, 2009).

*Relevant regulation*

Some companies’ motivation could be simply not breaching relevant national or local laws regarding social and environmental responsibility. Obviously these legislations or regulations are more intended to social instead of environmental. Laws with employees’ right, for instance, are standing out. In addition, some independent trade unions have been established to protect employees’ right.

In 1994, a major labor law was passed by China’s National People’s Congress. This law provides protection for almost all industrial categories. In 2008, the categories were extended to all categories including both economic organizations and service sectors. The Labor Law contains fundamental workers’ rights like remuneration, holiday entitlement, safety and working environment. In the case of foreign invested ventures, collective bargaining agreements should be negotiated to settle minimum working conditions, wages, and so on (Taylor, 2011).

*Peer competition*

Peer competition is seen as a major driver especially by SMEs in China. Chinese SMEs are facing more opportunities since the market of China is growing so fast. The competition between them is growing fiercely intense. CSR as an “additional credit” is an alternative route for a SME to gain competitive advantages over its peer competitors. This pressure leads SMEs to produce more environmental friendly products. Some are trying to achieve a “green way” or “doing well by doing good” (Tang and Tang, 2012). To sum up, CSR is seen as a new strategy for SMEs to establish a better image and win notice in the market in order to beat its competitors.
Supply Chain Pressure

One of the most imperative drivers is the global supply chain pressure. In a global market, China has become rather active in playing the role of supplier companies. Nowadays China has reached the largest producing nation and the second largest exporter in the world (Schneider and Schwerk, 2010).

As the importance of China in global market growing, maintaining a good relation with other big players in the global market is becoming more crucial to Chinese companies’ success, especially when it comes to successful supplier-buyer relation.

It has been proved by previous studies that there is a positive link between long term relationships with business performance. Schneider and Schwerk (2010) indicate that long-term relationship building in the sense of partnership can lead to fair and reasonable business practices and encourage buyers and suppliers to share goals and benefits. In order to survive better in the market and gain more business opportunities, Chinese suppliers are willing to satisfy the buyers’ appropriate requirements. Big multinational enterprises are becoming more cautious about selecting the responsible suppliers after anti-sweatshop movement and environmental movement (Lin, 2010), Chinese suppliers are obligated to prove that they are able to meet the standards regarding environmental and social aspects. One vivid example is that some developed countries including Japan, the United States, Norway, Sweden have put forward different environmental requirements for the fabric and dyes of clothes imported from China (Zhu et al., 2005; Ministry of Foreign Trade and Economic Cooperation of PRC, 2002).

Especially after China’s entry into the World Trade Organization (WTO), its position could be maintained only if it meets relevant international standards (Zhu et al., 2005). Moreover, only by this way, could China attract more foreign investments to strengthen its position.

Consequently, supply chain pressure could be counted as one main external push for Chinese companies to comply with CSR policies. Beyond simply complying with CSR policies, export and sales to foreign customers also helps companies to improve their environmental performances in China (Zhu et al., 2005; Christmann and Taylor, 2001).

Culture and Political Efforts to Promote CSR

In terms of cultural differences between China and Western countries, Chinese culture of hierarchy also penetrates into the Chinese business culture. Hence, the Chinese government is at the top of the pyramids as of holding the power of doing businesses as well as CSR related issues (Levinson, 2009).
Both Chinese national or local government has set series of environmental, social, regulatory and tax policies.

Some scholars criticize that non-governmental organizations are not “pure” NGOs because of interfere with the Chinese government (Yang, 2008). Although there has not always been support of the Chinese government’s interferes, it cannot be overlooked that the government is putting effort actively in promoting CSR practices.

3.9. CSR in Turkey

Turkish CSR Contextual Background and Development

Turkey has unique challenges and priority areas based on its economic development, social context and historical background. Within the Turkish context, religion and history, has held an important influence in understanding of CSR which is highly linked to philanthropy (love in the sense of caring for humanity). Therefore, in Turkey, company’s charitable efforts as well as sponsorships and donations are often confused with CSR. The 2007 GlobeScan CSR Monitor which is built from over 25,000 interviews across 25 countries thus representing viewpoints from all continents across the world (can be seen in Figure 12), confirmed that Turkish society thinks charitable donations are highly important and that the understanding of CSR in Turkey is mostly limited to aspects of corporate giving and philanthropy(Cozannet et al., 2007). This shows a great mismatch between interpretations of CSR in Turkey and contemporary view of CSR which is company’s commitment to minimizing or eliminating any harmful effects for the benefits of society in long run (Mohr et al., 2001:47).
One of those priority areas is education of children which is seen as one of the key concerns of Turkish society. Thus, over the last decade, good records of educational campaigns has been built up by private sector, Turkish Ministry of Education and local communities such as ‘100 percent Support for Education’ and ‘Girls, Let’s Go to School’. Sustainable and ethical supply chain management - specifically registered employment is another important issue within Turkish society. For instance, approximately 80 percent of textile workers within the supply chain of textile companies (as an important sector in Turkey) are not registered due to increased costs to register. Thus, labor rights remain an issue as well as education and other various issues such as health, unemployment, ethical behavior and social security.

It is accepted by several authorities that Turkey has put insufficient effort in terms of applications and practices of CSR. In order to understand the problem here, the reasons for the incompatibility of the Turkish economy with Western standards matters. In doing so, marginal sector in Turkey, high rates of unregistered employment, the notion of ‘housewives’, incommodity family labor, and Turkish apprentice system are some of the factors.

Levels of CSR (Carroll, 1991) is a simple block model of the levels of responsibility businesses have starting at the base with the economic responsibilities (continues with legal and ethical responsibilities) which rise up to the philanthropic at the top of the
model. (can be seen in Figure 2) Referring to this model, Turkey’s approach to CSR seems upside-down.

Motivations for Turkey to Follow CSR

Like China, there are drivers for Turkey to engage in more CSR practices. According to the report of CSR Consulting Turkey and the Corporate Social Responsibility Association of Turkey (2010), Turkish companies encounter both legal challenges and others related to challenges regarding compliance with the codes of conduct of their suppliers, and local as well as global standards. Compared to motivations of China’s CSR development, similarly, Turkey has been challenged with upgrading its current standards one step further regarding CSR compliance; working environment; employee satisfaction and fair trading.

Higher standards of labor practices are crucial, which covers equal remuneration for male and female employees of equal value, nondiscrimination at the work place, the right to association and collective bargaining, working hours as well as health and safety matters. There are some other issues are waiting to be addressed such as child labour (especially in agriculture), combating corruption and bribery.

Competition is a strong driver in promoting CSR (Ararat, 2005). Turkish textile industry has chosen to use CSR as a competitive advantage against the threat of Chinese textiles and engaged voluntarily in projects with European civil society organizations such as Clean Clothes Campaign to improve the social standards in Turkey’s textile industry (Ararat, 2005).

With regard to environmental challenges, there is a more promising picture. Companies are becoming more familiar with energy-efficient production methods due to high energy prices and concerns of climate change and water scarcity in certain regions. Besides these drivers, the government’s efforts are forcing companies to be up to the standard of European regulations. With regard to reporting, United Nations Global Compact Principles and the Global Reporting Initiative’s Guidelines on Sustainability Reporting are increasingly becoming popular among Turkish companies. As of September 2010, nearly 150 Turkish enterprises have signed the UNGC Principles while 10 firms publish sustainability reports based on the Global Reporting Initiative Guidelines. Turkish companies are increasingly adopting sector-specific standards, codes of conduct, monitoring and certification schemes, which all aim to set up and ensure supply chain responsibility.

Furthermore, CSR will be necessary if Turkey is to join the EU. In preparation for EU accession, the adoption of the *acquis communautaire* – the legislation that all EU members must share as members of a political and economic union - is obligatory. In
this acquis, CSR related issues such as fair competition and environmental protection are also included that has to be met. Beyond the *acquis communautaire*, Turkey needs more credibility from other groups as well like Greenpeace to exist in large markets. Lack of European market access for Turkish companies will prevent them from access to 380 million potential consumers and 8.5 trillion euros worth of market demand. (Implementing CSR Programs in Turkish Companies: How to do it and why http://www.kssd.org/ingilizceyayinlar.htm)

**Culture and Political Efforts to Promote CSR**

The following table provides a snapshot of the developments and remaining weaknesses of the Turkish regulatory framework and some facts about economy, social issues and culture with regard to CSR related issues:

<table>
<thead>
<tr>
<th><strong>Turkish Regulatory Framework and Facts about Social Issues, Economy and Culture Regarding CSR</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRANSPARENCY</strong></td>
</tr>
<tr>
<td>The Work Inspection Board, operating under the Ministry of Labour and Social Security, plans to establish a label for socially responsible companies. Considering the protection of consumers, some progress has been made on a market surveillance system.</td>
</tr>
<tr>
<td><strong>Public procurement:</strong></td>
</tr>
<tr>
<td>The EU progress report for Turkey 2006 notes several discrepancies between the public procurement provisions in the Acquis and those under Turkish law.</td>
</tr>
<tr>
<td><strong>Competition:</strong></td>
</tr>
<tr>
<td>While the Law on Protection of Competition and the Regulation on Mergers and Acquisition reflects the main principles of Community rules, there is no legislative framework and administrative structure to ensure transparency and implement community state aid rules.</td>
</tr>
<tr>
<td><strong>Accounting and Auditing:</strong></td>
</tr>
<tr>
<td>The Turkish Accounting Standards Board has adopted almost all IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards), however they are not legally binding, not often applied by companies and a general purpose accounting framework is not available.</td>
</tr>
</tbody>
</table>
**ENVIRONMENT**

Overall, the new Law on Environment was adopted in May 2006 introducing some elements of public participation.

Some progress in terms of the energy market was reported (e.g. renewable energy sources), but challenges still exist. These include electricity loss and no progress on energy efficiency in general, as there is no framework law that would promote it.

Turkey has not ratified the Kyoto Protocol, has not transposed the Emission Trading Directive and no progress can be reported regarding the transposition and implementation of environment liability and reporting directives and directives regarding public access to environment information, despite the Law on Environment (May 2006).

Regarding waste management, the alignment with the Waste Framework Directive and the Hazardous Waste Directive are good developments but leave room for further alignments (e.g. landfill and waste incineration).

In terms of industrial pollution control and risk management no progress can be reported; alignment, implementation, enforcement and financial resources are needed.

**SOCIAL ISSUES**

Despite a certain degree of alignment in employment and social policy, not all International Labour Standards are focused (e.g. child labour). In 2002, 4.2 percent of children between the ages of 6 and 14 years and 28 percent of those between the ages of 15 and 17 were estimated to be working (UNICEF) With regard to the International Labour Standards, Turkey still falls short, particularly in relation to the right to organize collective bargaining and freedom of association (Ararat, 2005).

A national policy in the field of health and safety at work has been set, but still faces shortcomings (e.g. lack of awareness, training).

The Trade Union and Collective Bargaining, Strike and Lockout Law is still not in line with ILO and EU standards (a weak social dialogue).

In line with the Law on People with Disabilities, an action plan for the employment of disabled people has been developed.

Issues regarding equal opportunities still open (e.g. parental leave, equal pay, equal access to employment) Discrimination against minorities, disabled people and women, limitations of cultural rights and attempts to transgress fundamental human rights still occur (Ararat, 2005). This is partly related to a lack of education and high illiteracy, especially in rural regions, although the Ministry of Education (with UNICEF support) carries out ongoing enrollment campaigns targeted at girls and rural and poorer regions (Ararat, 2005).

May/June 2006 the Legislation on Social Security Reform had been adopted and provides a certain degree of social protection, however significant challenges remain, especially with regard to minorities.

In terms of consumers, product safety standards are still without a legal basis, while some progress regarding public health can be reported.
**Turkish Regulatory Framework and Facts about Social Issues, Economy and Culture Regarding CSR**

**ECONOMY**
Turkey is one of the most rapidly growing economies in the Organization for Economic Cooperation and Development (OECD). An important shift is also taking place from reliance on agriculture and heavy industry to a more diversified landscape with a growing services sector.

**CULTURE**
The concept of CSR have historically been strongly influenced by religious values. Big companies engage in some type of social project, with the main focus being on education, health, arts and culture. Such practices brought about a rich and significant history of philanthropy in Turkey, as reflected in the high number of foundations.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Legislative environment and some facts about society and culture in Turkey with regard to CSR related issues (modified from Cozannet et al., 2007)</th>
</tr>
</thead>
</table>

**Conclusions on CSR in Emerging Economies**

Social and environmental problems have attracted attention in countries such as China, India and Brazil with the globalization of multinational corporations - especially with the need of searching cost efficient markets. Therefore, it has become an issue to investigate the diffusion of Western-style or international forms of CSR and the forces supporting or impeding such diffusion. (Jamali and Neville, 2011) CSR in emerging economies has been recently characterized as more extensive than commonly believed (Visser, 2008). On the other hand, comparing to the significant growth in the conceptualization and uprising initiatives being taken in the developed countries, CSR engagement in emerging economies in general is a lax (Gugler and Shi, 2010). Comparing to initiatives in Western countries, the CSR interest of emerging economies are actualized differently (Gugler and Shi, 2010; Jamali, 2007a, b). According to Gugler and Shi (2010) CSR poses great challenges to the enterprises in emerging economies while entering global market. At the same time, their responses also have great impact on the future of global CSR. Especially for suppliers in those countries, compliance with CSR standards becomes urgent to do business in global context due to severe results of noncompliance such as consumer boycotts or cancelation of contracts. (Gugler and Shi, 2010) They are under increasing pressure of reporting requirements on their CSR performance and controlled by instruments such as codes of conduct, guidelines and principles. Almost entire initiatives on CSR are shaped by developed economies in recent years. Stakeholders in emerging economies have only been object of those initiatives rather than having an active role in shaping the CSR agenda (Gugler and Shi, 2010).
Synthesis of Theoretical Framework

After presenting broad outlines of the theoretical background, regarding CSR definition, CSR in supply chain, CSR’s force tool, CSR and supply chain relationships, CSI, CSR and corporate reputation, we can conclude the following points:

• There is no globally general definition of CSR. It is perceived differently according to different countries or organizations.
• CSR is categorized into four aspects including the corporation’s economic, legal, ethical, and philanthropic responsibilities.
• From a supply chain perspective, supply chain pressure can be powerful on a firm’s engagement in CSR practices.
• Codes of conduct is an important enforcement in terms of CSR.
• CSR can influence supplier buyer relationship to some extend and vice versa.
• There is a connection between the corporate’s innovation and CSR practices.
• CSR can have a direct impact on firms’ reputation. Good CSR performance can gain companies good reputations. Likewise, bad CSR performance can damage companies’ reputations.

Although CSR perspective from a supplier’s perspective is very important, most researches and literatures choose to discuss CSR from a buyer’s perspective. We will therefore have more comprehensive discussion about these issues from suppliers perspectives regarding how they define and implement CSR; whether if CSR has a strong connection with supplier-buyer relationship according to suppliers; whether if CSR has positive outcomes as innovation and good reputation for suppliers. These issues will be further focused in the analysis part.

CSR’s history and development in two emerging economies, China and Turkey, were also presented in the Theoretical Framework to give background knowledge of these two case countries since the suppliers to study were chosen from these two countries.
4 Empirical Data

All the information collected from interviews and corporate documents will be presented in this chapter. First, the related information about the buyer company, NIKE, Inc., will be given regarding our research scope. NIKE, Inc. is a site that presents the full text of many essential works in the empiricals of NIKE, Inc. regarding its supply chain and Corporate Social Responsibility policies (http://www.nikeinc.com/). Then, some data including CSR perspectives, CSR implementation, environmental aspects, social aspects, corporate reputation, innovation, and CSR practices regarding supply chain management of the two companies from Turkey and China will be given respectively. Corporate publications that were shared with us by the interviewees and corporate websites present the text of many essential works in the empiricals of Turkish and Chinese company regarding their company profile, CSR practices in general and supply chain management activities otherwise it is stated that the given information is based on the interviewee perspective.

4.1. NIKE, Inc.

NIKE, Inc. was founded on January 25, 1964 as Blue Ribbon Sports and officially became NIKE, Inc. on May 30, 1978. The company is world widely known as an international sportswear, clothing, footwear, and sports equipment manufacturer and supplier. The company’s headquarter is in Oregon, the United States.

As Figure 13 below shows, NIKE, Inc.’s value chain is global. The company has more than 700 contracted factories located in 45 countries in the world. It sources products from more than 900 suppliers in 50 countries. It has more than 1 million workers working in those supplier companies or factories. Most of the suppliers are from Asia, such as China, Vietnam, India, Philippines and Malaysia. Others are located in Eastern Europe, Mexico, South Africa and Turkey. Only for NIKE, Inc. Brand footwear and apparel products, the materials come from 900 different supplier companies which are independent companies that only sell materials to NIKE, Inc.’s subcontractors to manufacture according their product design. Hence, NIKE, Inc. has the most control over its production design part. Meanwhile it requires better materials with detailed material specification to make sure that the materials they source as sustainable as possible. NIKE, Inc.’s interpretation regarding sustainability is to “minimize environmental impact and use the available tools to bring about positive changes across the entire supply chain".
As mentioned in Theoretical Framework, in late 1990s, NIKE, Inc. was criticized on media for owning sweatshop factories in some contracted factories in China, Vietnam, and Indonesia. Later, it got published for using child labor in Cambodia and Pakistan. NIKE, Inc. became one of the first companies to experience a global scrutiny in terms of a global supply chain. This has made NIKE, Inc. suffer from a tarnished brand image. However, NIKE, Inc. has learned the lessons deeply through these experiences. Now, NIKE, Inc. takes more actions on social responsibility practices within its supply chains. They dedicated large amount of resources and established restrict programs focused on monitoring. Besides, their global sourcing decisions are not confidential. They are committed to sharing data about their suppliers with high public transparency. On NIKE, Inc. website, there is one Nike manufacturing map available showing full factory list across all NIKE, Inc. brands with detail information about types of products, worker profiles, and environmental impacts.

4.1.1. Auditing system

By putting more efforts on focusing on rigid screening and by evaluating the sustainability performance of contract factories, NIKE, Inc. has made much progress in supply chain monitoring.
NIKE, Inc.’s auditing team contains 70 NIKE, Inc. employees and a set of approved third-party auditors. The auditor team audits factory performance every 12 to 18 months on labor, health and safety, environment according to its codes of conduct and code leadership standards. The team sets auditing schedules considering timing, relative risk associated with individual factories and their overall ratings.

Every year, NIKE, Inc. increases the number of factories to audit. In 2009, only under half of the factories were audited but by the end of 2011, 80 percent of all its factories were audited.

NIKE, Inc. believes that auditing is the first step towards helping factories to improve. For factories or suppliers that meet minimum compliance standards, auditing could help them to continuously improve their sustainability performance. Thus, with incentives for their contract factories, NIKE, Inc. is willing to move one step up from obliging minimum compliance standards to encouraging them to do “good, better, best”; from purely monitoring them against Code of Conduct to collaborating with them as business partners. Until now, they have moved to establishing long-term relationships with fewer factories as trusted business partners like the Turkish supplier in our research, instead of having short-term transactional relationships with numerous factories.

In China, NIKE, Inc. approached to link up with one of China’s most influential environmental NGOs – the Institute of Public and Environmental Affairs (IPE). The IPE is a member of a coalition of 41 environmental nonprofit organizations throughout China. It has developed a “China Pollution Map,” which lists factories that are out of compliance with environmental regulations. They use this online database to track the environmental compliance status of approximately 350 factories in China every year – including NIKE, Inc. contract factories and key material suppliers. All told, they have used the information to encourage 31 factories in China to make improvements.

4.1.2. Code of Conduct

NIKE, Inc.’s code of conduct addresses all contractors that produce NIKE, Inc. brand products and mostly guides them to respect their employees’ human rights as well as their employees’ healthy and safe environment. NIKE, Inc.’s code of conduct demands that all suppliers follow and share NIKE, Inc.’s standards and operate in an ethical manner.

They have defined and implemented expectations for the factories with which they contract, through a companywide Code of Conduct, expectations for the suppliers and contract factories are defined and executed by NIKE, Inc.’s auditor team and NIKE, Inc.’s corporate responsibility committee. The Code covers working conditions, health and safety, and environmental performance. Their Code Leadership Standards (CLSs),
available online and widely to the industry, describe those expectations in much more
detail. Both the Code and the CLSs have been translated into multiple languages.
(NIKE, Inc.’s code of conduct can be seen in Appendix D)

4.1.3. Indexes

At NIKE, Inc. there are several indexes across their sustainability and their suppliers’
sustainability performance. One of them is the Manufacturing Index which measures
NIKE, Inc.’s contracted factories’ manufacturing performance on a balanced scoreboard
containing four important weightings as delivery, quality, costing and sustainability.

A branch of manufacturing index is called Sourcing and Manufacturing Sustainability
Index (SMSI) which measures contract factory compliance with Code Leadership
Standards and continuous improvement of social responsible manufacturing behaviors.
This index also measures contract factories’ corporate responsible performance beyond
compliance, for instance, lean manufacturing, employees’ health and safety, factories’
environmental performance.

As Figure 14 shows, the contract factories measured would score different “colors”
according to their evaluated results. Bronze-level performance means the factories can
meet the minimum compliance standards of NIKE, Inc.’s Code of Conduct and sustain
them. Those factories that score Yellow or Red on the SMSI will need to fund third-party
audits until they can reach Bronze. Noncompliant factories may receive sanctions and
will have a defined period of time to achieve compliance. Failure to achieve compliance
on a clearly defined timeline can result in further sanctions, up to and including the loss
of business contracts. Over the five years from 2007 to 2011, the most common
noncompliance were those related to hours worked and wages which represent 41
percent and 36 percent respectively, according to auditing results of 2011.
The Risk Index, along with MI metrics and SMSI metrics, is used by NIKE, Inc. to make sustainable sourcing decisions. It directs NIKE, Inc. to evaluate potential new suppliers and also guides NIKE, Inc., on how to contract with factories already in the supply base. The Risk Index identifies countries with the highest risk and most potential for low factory performance on our MI metrics. It assesses four key areas, including political risk, social and compliance risk, economic risk and infrastructure and climate risk, weighting each one equally with 25 percent of the total score.

NIKE, Inc.’s approach to ratings and scoring will change by the end of 2012 and beyond with the introduction and implementation of new tools and indexes. In particular, a new Risk Index will be developed to help them identify, at the outset of a sourcing relationship – whether with a new factory or one already in their supply chain – the potential for low performance.

4.1.4. Definition of A Truly Sustainable Performance

“A sustainable supply chain” is explained by NIKE, Inc. in four components: lean, green, and equitable and empowered.

*Lean: Better Manufacturing*
Lean manufacturing refers to a continuous improvement philosophy that aims to deliver the highest-quality product while eliminating waste, including lost time and material. NIKE, Inc. has provided resources to contract factories to support their transition to the lean approach, including training, coaching and technical assistance. By the end of FY11, within the NIKE, Inc. Brand, 80 percent of footwear, 57 percent of apparel and 11 percent of equipment was made using processes meeting their minimum baseline definition of lean manufacturing.

Green: Improving Performance at Every Step

NIKE, Inc. has been constantly working with contract factories for several years to improve their management of energy, water, waste, toxic materials and water discharges. Table 4 represents three instances of how NIKE, Inc. works with suppliers and factories to upgrade their “green movements”.

| Chemistry | There is one publicly available Restricted Substance List (RSL) which lists detailed chemical compounds that cannot be present in any finished products sold by NIKE, Inc. The RSLs tell suppliers what they cannot use. Additionally, in FY10, NIKE, Inc. established Sustainable Chemistry Guidance (SCG). The SCG is a platform for highlighting preferred chemicals, defining better chemicals and empowering their supply chain partners to more closely align with NIKE, Inc.’s sustainability goals around fewer toxics, less water use and less energy use. The SCG includes a list of “positive” or preferred chemicals and is a resource for their suppliers, contract factories as well as vendors as they select alternative chemicals for use. |
| Water | In total, all NIKE, Inc.'s contract factories along their supply chain together use approximately 3.5 billion gallons of water annually. Some finished-goods manufacturing facilities are also significant users of water. NIKE, Inc. conducted our first-ever water-use baseline for footwear manufacturers in FY11. Their Sustainable Manufacturing & Sourcing team is continuing to work with their apparel and equipment contract factories, including helping them to improve water-use measurement and data management as building blocks for reporting and to achieve reduction targets. |
NIKE, Inc.’s factory rating indexes (described above) started including waste-related measures into sustainability scores. It also provides incentives for those factories and suppliers to participate in waste-reduction activities and certifications. Particularly, NIKE, Inc. has led the development of six dedicated recycling centers in three countries – China, Vietnam and Indonesia – to support their closed-loop vision.

In FY11, total waste generated by our NIKE, Inc. Brand contract footwear manufacturers was 48.7 million kg, 85 percent of which was diverted from incineration or landfill through in-house recycling, closed-loop recycling, down cycling and other efforts.

Table 4. Three instances of how NIKE, Inc. works with suppliers and factories

*Equitable: Toward Economic Security*

“Equitable” means to have highly valued workforce to improve quality and productivity by reducing turnover and absenteeism. Working with contract factories to help their workforce gain valuable skills is also consistent with NIKE, Inc.’s long-term strategy.

Besides, NIKE, Inc. has been trying to help the communities where contract factories are located to get rid of poverty. In some communities, poverty can be pervasive despite the availability of local jobs, and it affects the quality of life of everyone in the community. NIKE, Inc. is studying approaches to address issues beyond compensation that affect quality of life, such as access to basic services, personal financial management tools and payment vehicles, and the kinds of training and services that might improve workers’ lives.

*Empowered: Workers Unlock Value*

“Empowered” regards to enable workforce new knowledge, skills and decision-making authority. Moving to lean manufacturing can change the concept of footwear and apparel manufacturing as an inherently “low-tech, low-skill and low-wage job”. In 2011, they began to offer human resources management (HRM) training and other support to our contract factories to help them invest in the potential of their workers. Research shows that satisfied workers are more productive workers. As an extension and elevation of lean manufacturing, the development and delivery of our HRM program had, through the end of 2011, been delivered in 76 factories in Vietnam, China, Indonesia, Sri Lanka, India and Thailand, representing more than 422,000 workers, 94 percent of total footwear volume and 43 percent of total apparel volume.
4.2. Chinese Company

4.2.1. Company Introduction

The Chinese supplier is a subsidiary of a multinational corporation which is a global leader in pressure-sensitive technology and innovative self-adhesive solutions for consumer products and label materials, based in Pasadena, California. The parent company mainly develops, manufactures and markets a wide range of products for consumer and industrial markets. The Chinese Supplier in this case is a subsidiary of this American brand, founded in Kunshan in 1995, by the founder of its parent company. He founded the Chinese sub company after 65 years of looking for an opportunity to do business in China.

Today, the Chinese supplier has 20 facilities in China, including Guangzhou, Nansha, Panyu, Shanghai, Kunshan, Suzhou, Tianjin, Chengdu, Fuzhou, Qingdao, and Hong Kong. These facilities cover more than 120,000 square meters and represent more than US$ 265 million in investments.

All the company’s businesses including Roll Materials, Retail Information Services, Office Products, Graphics and Reflective and Specialty Tape are presenting in China. The Chinese supplier employs nearly 14,000 people in China, representing approximately 40 percent of its global workforce. Among all the employees, 81 of them have worked at the company for ten years or more, nine have been with the company since its founding in 1995.

Revenues of the company have grown at a rate of greater than 20 percent annually in China since 1995. According to the whole company’s internal annual report, sales of reflective business in china in 2005 were approximately $7 million.

4.2.2. CSR Practices in General

CSR Perspective
“Social Responsibility is our everyday mission within the company.”

According to the document we received from the interviewee, the Chinese supplier’s core corporate value and ethics includes integrity, teamwork, innovation, excellence, service and community. Those values are the navigation of their ongoing business efforts and CSR practices. Of those values, community refers to basically their corporate responsibility, which is explained by the interviewee as “We act responsibly as members of the communities in which we operate”.

Community is mentioned as a crucial part of in their perspective of CSR. For instance, the commitment of the company is to achieve business success through responsible social, environmental and economic practices and helping to build healthy communities wherever it operates.

The company strives to make a difference in the communities where it and its employees reside and work by promoting advanced technology especially in terms of innovation and entrepreneurship. By trying to make a difference in the community, what the company is doing currently is to protect the health and safety of its employees and to minimize possible environmental impact through responsible manufacturing processes and invest in responsible community organizations.

To elaborate, the Chinese supplier promises to protect the environment by employing control mechanisms, procedures and processes that are technically sound and economically feasible. It strives to improve its operations so as to minimize any negative impact it may have on the environment and on the health and safety of its employees, neighbors and customers.

In short, the Chinese supplier interprets CSR as devoting itself to sustain and improve the community that its employees work and dwell, as well as its employees’ health and safety; meanwhile, derogate environmental negative impact via manufacturing.

**Implementation**

Instead of only fulfilling relevant standards and laws, the interviewee also mentions that he believes that the company’s willing to do social responsible activities is coming from the “inside”. The company has been engaged in CSR practices voluntarily and has been successful after engaging itself in a long term.

**Environmental Aspects**
Energy efficiency through manufacturing process is one of the main concerns. To reduce the waste and emissions it by produces is the company’s goal in terms of environmental responsibility. For instance, the company determines to avoid usage of toxic chemicals, promote usage of recycled materials.

To largely reduce the environmental footprint and greenhouse gas emissions of the company, it conducts a few relevant practices to be better aware of the environmental impact. To name a few, it implements a life cycle analysis (LCA) methodology to evaluate its operations; it also joins the Carbon Disclosure Project and Business Roundtable’s Climate RESOLVE (Responsible Environmental Steps, Opportunities to Lead by Voluntary Efforts) initiative, to reduce the greenhouse gas emission. By putting such effort, the companywide energy efficiency is improved by 10 percent per dollar of revenue by 2010, compared to 2007 level. The company aims to reduce the greenhouse gas emissions by 15 percent per dollar of revenue by 2015, based on 2005 level.

According to enterprise-wide GHG inventory’s comment, the company’s GHG emission and energy usage are relatively low in comparison to other emerging international companies.

Apart from energy efficiency practices, the company also provides innovative eco-friendly products to end users and buyers to make sure the “supply chain green” commitment. For example, the label tag products it supplies to the Turkish company are manufactured by environmental friendly paper, organic cotton, organic and bamboo woven and biodegradable packaging materials.

However, there is one obvious drawback of the company’s whole environment protection activities. In North America and Europe, the parent company cooperates with associated firms to convert products’ end of life phase from mainly landfill to recycling by modifying or diverting raw materials. In China instead, the products’ end of life phase still majorly covers landfill.

**Social Aspects**

Philanthropy is pursued as the core of the company’s social responsibility. Its donation and support cover charity, education, social welfare, employees’ welfare, etc. The company conducts a “corporate contributions program” which is managed and guided by The Chinese supplier’s Corporate Contributions Committee.

The interviewee's first and most impression of “social aspect” is “the pension system of the company which makes me feel more secure to work here which in turn boosts my working passion”. The company’s care for the community is embodied from the fact that it is the first multinational corporation to offer corporate provident fund in China.
Normally, multinational enterprises unlike domestic companies in China are not required to provide provident fund for employees. Nevertheless, the company itself voluntarily initiated a program to help employees accumulate wealth since 2006. The wealth could even be transferred after the employee leaves the company for no matter what reason, which is rather rare among international companies or investors in China.

The community the company is committed to is not only limited to the local region where its employees work, but also expanded to any part of the country whenever it is in need. Soon after the 8.0 earthquake in Sichuan in May 2008, the company donated more than RMB 2 million to the Red Cross and post-quake reconstruction.

The company is also committed to improve children's education in China. It helps to build elementary school in a rural place in Anhui Province.

**Benefits from CSR**

1. **Corporate Reputation**

Consistent CSR engagement has established the Chinese supplier a positive corporate image and the company has successfully remained it. The company was ranked the 315th in Newsweek's 2009 Green Rankings. The company was also ranked fifteenth out of the 28 companies in the "Basic Materials" category.

Because of the company's high awareness of responsibility to the environment and the society, the vice president Dagang Li received the title of "Honorable Citizen" by the Kunshan Municipal Government acknowledging of his leading role of his company's contribution to the community.

Additionally, the company is honoured as the "Best Foreign Investment Company" in terms of its outstanding contribution to the steady and progressive development of the Kunshan economy. The company has earned this prestigious recognition every year since 1995.

Besides the external complement, the company also achieved internal satisfaction because of its caring for its employees. It was named as one of China's "Top 50 Best Employers" twice by Staffers Magazine. As the interviewee emphasizes, “It is truly a lovely place to work”.

2. **Innovation**
“Be innovative is not an additional credit for a company to stand out now in the market. It is a necessity these days. The pressure from your competitors pushes you to have to be innovative.”

Innovation is another one of the company’s six core values and ethics. It is interpreted by the company as “new ideas, products and processes are a part of the company’s everyday life”. The company has dedicated itself to provide eco-friendly products and solutions to customers. As we read from the company profile, the company’s chief executive officer believes that “responsible competition and innovation drive value creation; through collaboration, they can drive sustainability as well”.

The company’s innovation is majorly for the environmental responsibility concern. The company’s goal is to set metrics for more sustainable products. Its Sustainable Product Innovation Strategies covers three main focuses to have better solutions to customers. Figure 15 below is adapted from the company’s innovation report. It shows three main sustainable product innovation strategies which are environmentally-preferred materials; sustainability-enabling technologies and product life cycle design.

**Figure 15. Sustainable Product Innovation Strategies**

In other words, as they consider the entire product life cycle, their focus is on leading material innovation, sustainable sourcing and LCA based design. They see innovation as a great opportunity and put more efforts in innovations in terms of the design of thinner and lighter materials; new bio-based adhesive formulations; new technologies that facilitate recycling. For instance, the company’s famous ThinStream technology is
the result of their collaborative innovation strategy. As well as green tickets and tag
products by biodegradable packaging materials; thinner liners to process low-waste
pressure-sensitive products; paper products that are made from renewable or recyclable
natural sources; some apparel labels that are made from organic sources like bamboo in
Asia.

The company integrates its innovation framework into its new product development. It
has a global process to facilitate and manage the risks of a new product development. It
combines environmental, health and safety (EHS), product compliance and sustainability
into different stages of new product development. The steps of innovation framework is
depicts in the Figure 16 below.

![Innovation Framework](image)

**Figure 16.** Chinese supplier’s innovation framework

In China, the company initiates activities for encouraging innovations. The company has
a special foundation which supports a “spirit of invention” Scholarship Program in China.
The program aims to nurturing creativity and entrepreneurship and since its beginning;
the Foundation has awarded US $32,800 sponsorship. In addition, the Foundation
organized an on-campus “discover Innovation” to foster innovation through informative
interactive lectures and team projects at selected universities in Mainland China.

### 4.2.3. CSR Practices Regarding Supply Chain Management

“CSR is more than handshaking. Great CSR management is an opportunity to win more
customers and markets. However, of course, compliance is the foundation of this
opportunity.” Obviously, the company precisely adheres to all applicable environmental,
health and safety laws and makes all effort to meet customers’ CSR relevant demands.
It promises to “never create unreasonable risks to customers, consumers and
employees”. It also aims at exceeding customers’ expectations rather than just fulfilling
the check list. As the company’s motivation, its ambition is to become the world’s best
company in converting and coating field by making the customers success.

The interviewee admits that “on top of everything else, you should first obey the rules
coming from your purchaser”. In other words, the company is obligated to follow a code
of conduct demanded from the buyer company which in this case, is NIKE, Inc.’s code of
conduct. The Chinese supplier follows this code of conduct completely. It is as the
following:
- No child labor;
• No discrimination with respect to employees’ occupation, gender, age, sexual orientation, etc.;
• Workplace is healthy and safe;
• Minimize environmental impact.

The manager team established “The Company’s Product Integrity Management System” (PIMS) which is to support the product stewardship. The PIMS’s ultimate goal is to make sure that the company complies with all relevant international and local standards as well as customer and end user requirements.

For instance, the supplier follows the broad principles in the United Nations Universal Declaration of Human Rights (Appendix D). It supports human rights and sees human rights of individuals are so important that it embeds human rights principles in their own code of conduct to require their own subcontractors.

The manager team also established a “social compliance program” to improve the compliance through their management processes including risk management, internal audit program, social compliance training, and select supplier assessment. Among these processes, internal audit program is conducted by audit committee which is one of the four standing board committees. (Besides Audit Committee, there are also Compensation and Executive Personnel Committee, Governance and Social Responsibility Committee, and Finance Committee.) In this case, NIKE, Inc. does not conduct necessary monitoring to the Chinese supplier. The interviewee considers it might due to the fact that it only purchases small materials or components from it and all the manufactured components should be directly supplying the Turkish company.

However, the company is very conscious about its internal auditing system. Inside the company, internal staff monitors the facilities nearly every day and reports to the manager whenever there occurs a problem. The audit committee from the parent company in the USA comes once in a year to monitor the facilities in China. For all sites in China, the parent company’s auditing is more related to health and safety, wages and benefits and labor hours.

The company works closely with customers, to valid internal audit process as well as to develop more sustainable products and solutions. This, according to the interviewee, is because of “increasing pressure on supply chain coming from the increasing customer demand for transparency”.

From the Figure 17 which is also adapted from the company documents, it can be seen that in 2010, 53 onsite audits were completed for a total of 129 third-party audits since 2007. Their monitoring, training and education initiatives have reduced the average number of issues identified per audit from 22.7 in 2007 to 6.7 in 2010.
However, there is always more than just compliance. As the interviewee says, “It is not always only about compliance from the customers or laws; the company is willing to contribute to the community on a voluntary level. Many CSR activities are organized by employees' advices. They are not regarding to any requirements from the customers.”

Moreover, to drive sustainability both upstream and downstream the supply chain, the company itself also has requirements regarding CSR to its suppliers and subcontractors. Most requirements are concerning labor rights and material clean, in order to make sure the whole supply chain “green and healthy”.

Last but not least, as the company states, “It is prudent to go beyond the legal requirement”. The company believes that social, environmental and economic practices are intertwined together. Being aware of the importance of being socially responsive is for the business success in the long run. Now the company strives to build a better community. It believes it would have benefits from the community later.
4.3. Turkish Company

4.3.1. Company Introduction

<table>
<thead>
<tr>
<th>Company Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country:</strong></td>
</tr>
<tr>
<td><strong>Employees:</strong></td>
</tr>
<tr>
<td><strong>Ownership:</strong></td>
</tr>
<tr>
<td><strong>Sector:</strong></td>
</tr>
<tr>
<td><strong>Exports:</strong></td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
</tr>
<tr>
<td><strong>Daily production capacity:</strong></td>
</tr>
<tr>
<td><strong>Vision Statement:</strong></td>
</tr>
<tr>
<td><strong>Partners:</strong></td>
</tr>
</tbody>
</table>

The Turkish supplier company is based in Bursa, which is one of the most industrialized cities in the northwest of Turkey. The company produces knitted products, dyed and printed fabric, garments and home textiles. The company is a production partner of the NIKE, Inc. brand since 2005.

The company is progressively increasing its market share in export markets by providing the highest quality of services and products. The countries to which the company exports its products include the United States of America, Germany, Britain, Holland, Spain, France, Italy, Japan, Russia.

The company also manufactures for international brands including Zara, Pull&Bear, Massimo Dutti, Bershka, Esprit, H&M, Burberry, Hugo Boss, Mexx, Calzedonia, Hurley, Tchibo and Schlafgut. The company has also subcontracted production companies in countries such as Moldova and Egypt as well as several manufacturing facilities within Turkey.

4.3.2. CSR practices in General

CSR Perspective

In the recent Social Responsibility Activity Report of the company, the Chief Executive Officer, emphasizes their priority at the company with their ‘People First’ approach. He sets their priority at the company that each of their efforts and projects contributes first to their employees and stakeholders and then to the whole society in general thus ensuring sustainability. Again, in their mission statement, it is stated that the company aims to set an example for other companies by always putting "people first". Regarding employees, the company has recently been awarded by one of its partners (Burberry) for its sensitivity towards social responsibility and employees. Considering our interviews with
the Production Planning Expert, from an employee perspective, this “People First” vision reflects their work environment and clearly defines their corporate culture and policies at the company. As well as, in defining their CSR values, the “People First” approach is the core of their CSR concept.

Considering an interview that was published in a corporate magazine, agenda for apparel and textile industry, announced by the Vice Chair of the Turkey –EU Joint Parliamentary Committee, Umut Oran, emphasize five items: “Corporate Social Responsibility, Design, Organic Textile, Technical Textile, Research&Design and Product Development”. Furthermore, six priorities of the sector are defined by The Alliance for a Competitive European Industry (ACEI); corporation, growth, balance, innovation, new markets, competence management. With regard to these priorities, Umut Oran, announces that the Turkish supplier company is one of the best in Turkey to set an example (Yesim Tekstil, 2010). He also believes that the company has a great potential for organic and smart fabric production that gradually gain more importance of being health and environmentally friendly. Advantages of the company to compete with the biggest actors of the industry such as China and India are defined as excellence in design and CSR. Umut Oran concludes that CSR will make a difference between its competitors from emerging economies if the company keeps following pioneers of the world and implementing green production policies (Yesim Tekstil, 2010).

As stated in their recent Social Responsibility Activity Report, when the questioned about how Turkey can make a difference to compete with China and other Asian economies, CEO of the company, emphasized that it was important to not only be a powerful actor with regard to its technology, work force, raw material richness but also to conform with CSR standards.

Regarding the most prevalent kind of CSR in Turkey (Question 1 in Appendix A), both interviewees agree that it was the social CSR. Obviously, CSR encountered in Europe or “the West” is different from CSR encountered in Turkey. As issues regarding child labor, formal employment, health and safety insurances as compared to the West, social CSR is of more importance. However, pressure coming from the EU or MNEs(partner firms) guides Turkish firms to undergo positive changes. From the company’s perspective, since they have already integrated basic principles of social responsibility, CSR is approached both from social and environmental aspects.

The Corporate Communication Manager of the company, during the interviews asked about the dominant characteristic of their organization’s culture in CSR, replied that the company holds all those characteristics reflecting responsibility towards the environment, diversity, human rights, philanthropy and safety. However, given a second thought, she concluded that the dominant one might be philanthropy coming from the strong Turkish culture reflecting caring towards society which is exposed by the top
management and accepted by the whole company. Of course, the manager was not familiar with the term philanthropy in the beginning. However, later on she agreed on that their efforts to comply CSR such as charity work or employee satisfaction surveys mostly arise from their “people first approach”.

The company puts people first ranging from their own employees to women and children (oppressed class in Turkey) in the region. All its social responsibilities are initiated by the “helping people” motto. Its social responsibility projects mainly cover employees caring, education and sports. Besides, it also handles environmental responsibility issues.

The company aims to create a corporate culture strongly reflecting social responsibilities. For that reason, social compliance standards are rigorously applied within the company. The company documents its awareness and commitment to social responsibility through the highest internationally accepted Social Compliance standards including SA 8000 Certificate and Global Compact. The company sets their own social responsibility policy on such issues: child labor; forced and compulsory labor; occupational health and safety; freedom of association and right to collective bargaining; discrimination; harassment and abuse; working hours; compensation and benefits; environment; customs compliance; security: supplier relations; and management system. (Refer to Appendix C)

The company is also aware that in the US and EU ready-to-wear sectors, customers evaluate suppliers in terms of high quality, low price, timely delivery, and conformity to social compliance rules. The corporate communication manager of the company emphasized the issue of social compliance in Turkey, especially child labor and the extent of informal employment. She mentioned how important those issues are and how careful they are observed while selecting its subcontractors and suppliers in Turkey and other countries. She added that labor rights in Turkey are safeguarded under the Constitution and several regulations; and now the child labor issue seems more promising. She believes that their both their social and environmental efforts make a great distinction between its competitors and powerful actors around the world in this sector. For instance, she thinks that their environmentally friendly fabrics (smart, disposable,etc.) and new production technologies are one of the main reasons that the company got the H&M partnership. After all, its ultimate and utmost goal is clearly determined as to “become a manufacturing partner of global brands in the garment and home textile industry”.

Implementation

CSR Compliance
The company follows and complies with international social or environmental relevant standards such as: the Global Compact Agreement; SA800; the Oekotex Standard 100 (globally uniform testing and certification system for textile raw materials, intermediate and end products at all stages of production); the Global Organic Textile Standard (leading processing standard for textiles made from organic fibers worldwide); and the Organic Exchange(OE) certificates for tracking and documenting the purchase, handling and use of 100 percent certified organic cotton fiber.

Regarding their compliance with all those standard, the question of whether the company has experienced pressures to engage in CSR arises. The Corporate Communication Manager at the company, states that pressures, towards for example making adequate treatment in order to remove harmful compounds from the water and in accordance with governmental regulations and laws, have been exerted about a decade ago. Subsequently, water treatment facilities have been built and environmental engineers employed. However, they do more voluntary work today regarding CSR. For instance, even though there are no regulations for complying those standards in Turkey, they believe that customer demands are beyond regulations and laws and they need to make continuous improvements in their processes, products, or facilities. According to the Corporate Communication Manager, the CSR they engage are intended to respond to international pressures rather than local pressure. For export, the company is one of the top textile firms in Turkey and international pressure is more accordingly higher. That is why the global compact and similar standards are very important within the firm and its CSR agenda.

Global Compact Agreement

The company conforms to the principles of highest internationally accepted social compliance standards called ‘Global Compact’ on human rights, labor standards, the environment and the struggle against corruption. The United Nations Global Compact’s ten principles (which can be seen in Appendix B) in those four areas are universally acceptable and derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization’s Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Audits

The company has a Social Compliance Department under its Human Resources Department, which the company is proud of. Compared to the majority of textile
companies, they perform activities under a separate division. This department is responsible of notification and implementation of procedures regarding social compliance. This department conducts audits both at the main plant and at the suppliers; and later supports them to fulfill expectations regarding social compliance. Since they have many suppliers, the company also employs third party organizations to conduct audits.

At the same time, the company is subjected to some other social compliance audits by its partners. For instance, NIKE, Inc. GSV (Global Security Verification) conducted Intertek Audit in 2011 to ensure that as a partner of NIKE, Inc., a company should fully meet the expectations of ensuring safety of entry, exit, loading, unloading, transportation and storage activities, ensuring safety at the plant, creating a work environment free of undisclosed goods.

**Legal Working Conditions**

We discussed the issue of registered or informal employment in Turkey in our background. More than half of all textile workers within the supply chain of textile companies are not registered due to increased costs to register. In contrary to this, at the examined company, all employees work under legal working conditions. The company employs national and international standards for working conditions. The wages of all employees are given according to those standards. The company applies both “Labor Law” numbered 4857 by the Council of Ministers and the “Collective Bargaining Agreement” by The Union of Textile, Knitting and Garment Industry Workers of Turkey. No other labor (child, contracted, etc.) is employed at the company. Accordingly, the wages are determined on the basis of the minimum wages defined by the Ministry of Labor and Social Security and increase of wages are given as it is specified in the Collective Bargaining Agreement.

The company complies with the “Labor Law” concisely, for instance, it is required in the “Labor Law” that disabled persons should be hired at the rate of 3 percent. So does the company. Moreover, apart from compliance, company voluntarily provides much social assistance to its employees and outside. For example, the “Labor Law” does not require employment of ex-convicts, the company employs 2 ex-convicts.

**Environmental Aspects**

The company's “Green factory” approach is an indicator for its efforts of preserving the environment at every stage of production through environmentally friendly sustainable activities, energy friendly projects and recycling efforts.
The company, having a vision of “becoming a manufacturing partner of global brands in the garment and home textile industry”, has followed its own Environment-Health-Safety Policy (EHS). Under this policy, the company commits to continually comply with the local legislation and customer codes of conduct on environment, preventing environmental pollution on its source, following a proactive approach and contributing to improvements of its subcontractors parallel to company’s EHS policy.

The company has a separate Environmental Management System to monitor waste water treatment, hazardous waste treatment and solid waste generation and air pollution treatment. The monitoring obeys regulations issued by the Ministry of Forestry and Environment of the Republic of Turkey. The monitoring is executed by the CEO himself and the entire senior management team.

In addition, there are some prominent examples showing their caring for the environment such as:
• They use organic yarns in textile production.
• They use sustainable cotton.
• They also collaborate with universities or institutes (Bursa Technical University) to determine carbon footprint.

They carry out different kinds of environmentally friendly sustainable projects every year. In 2012, for instance, it initiates projects aiming at reducing water and energy consumption in the dye house; recycling and reusing its products, etc.

The company collects and separates waste very carefully, for example, even the vegetable oil from the internal canteen is collected to give a licensed recycling center. The waste includes water, batteries, medicals, and plastics.

The company commissioned its in house water treatment plant which has become one of the first in house examples in the textile sector with capacity of treating and discharging 10.000 tons of water to the nature every year.

Furthermore, the company labels its commitment for preserving the environment with its environmentally friendly brands which are named as ‘Organic’ and ‘Recycle’.

For the competitive success of the company, corporate environmental management is very important, observed by corporate communication manager. To survive in this tough competition, corporate environmental management leads them to innovation. They invest in R&D for environmentally friendly production. In addition, within this program, the company organizes special days like a ‘Green Day’ to increase their awareness of environmental issues as well as improve their social relations.
Social Aspects

Apart from simply complying with international standards, the company conducts social responsible projects voluntarily just as its environmental responsibility projects. Their social responsibility projects mainly address employees, the environment, education and sports activities.

Some of the activities are given as follows:

- They voluntarily found social clubs to enrich its employees’ social lives such as "Women and Children’s club"; “Social Responsibility Club”; "Innovation and Technology Club" to encourage employees’ entrepreneurship.
- The company’s sport club provides wider possibilities for sporting activities to the youth of their city and training basketball players for the team.
- Their modern kindergarten which is offered to the children of employees free of charge provides peace of mind to employees whose children attend the kindergarten.
- The company has sent home textile products and sweat suits as well as foodstuff packs to the inhabitants of Van which has suffered an Earthquake disaster in October, 2011.
- They also make donations for various organizations for charitable reasons.
- They support education in cooperation with the Turkish Education Foundation. The education of successful young individuals in poor financial standing are supported through the “Education Fund” of the founder of the company.
- Employees supported the campaign for collecting plastic lids initiated by various institutions and organizations to buy Wheel chairs for the disabled.
- They organize a blood donation campaign every year.
- A high school in the region was built and donated to the Ministry of National Education.
- They implemented Junior TEMA(The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) project to help 6 years old students to gain knowledge preserving the environment.

From the social aspect, its social responsibility practices like donation to the earthquake disaster or supporting education in Turkey are for gaining and raising public awareness, establishing a role model for buyers, customers, contract manufacturers.

Information Sharing Mechanisms

The company shares the initiatives it has undertaken under the scope of sustainability for a better world on national and international platforms.

To give an example for an international platform, the company participated in the thirteenth General Conference of United Nations Industrial Development Organization
(UNIDO) as a panelist and explained its social compliance sustainability standards and initiatives to the participants.

On national platform, their corporate publication of the “People First” Magazine disseminates the social compliance and social responsibility initiatives to the society as well as publishes information on social responsibility and environment to raise awareness among its readers.

Benefits from CSR

The CEO of the company, in their Global Compact Report highlighting the work carried out in 2009, summarizes the benefits of their efforts as follows:

Benefits inside the company:
* More clearly highlight of the commitment of top management to the environment, community and governance reaching out to the employees
* Increase employees' corporate loyalty and motivation through all the applications accomplished for them
* The company integrated its corporate citizenship activities with work operations and encouraged the employees towards an increase in the positive social effects of the values chain
* Demonstration of how the company has operationally implemented written requirements on social responsibility and environment incorporated into company’s mission and values
* In-house applications for progress evaluation they have implemented have led to improvement in our performance in this regard
These good practices have brought them into contact with global brands and brought new customers, thus leading to higher financial gains

Benefits outside the company:
* Making business with world-famous brands has opened doors towards strategic partnership with them.
* The atmosphere of more transparency and trust has increased company’s esteem.
* The sustainability vision, strategy and implementation plan have provided a framework for the development of relations with all their stakeholders.
* Our cooperation has provided valuable learning opportunities for all their stakeholders.

1. Corporate Reputation

The company has an outstanding reputation for being socially responsible and eco-friendly on both international and national level. Being a production partner of NIKE, Inc. since 2005, also manufacturing for internationally renowned brands such as Gap, Zara,
Hugo Boss, and Tchibo are indicators of having a good reputation. The reason behind such reputation cannot only be high quality production, but a socially responsible and eco-sensitive producer.

Company has implemented some very interesting things that have contributed to their reputation:

- Top notch R&D department working on customers needs for fabrics and fabric technology
- A Design department with in house designers and a number of design consultants that work with customers on their design needs.
- Eco-Friendly fabrics that meet the growing demand of customers in these areas.
- ‘Project for Traceability of Cotton Origin’ so that what is advertised is what is real. Recognized in part by their honor of the Burberry “2011 Project Award” for its sensitivity towards the environment, social responsibility and employees.
- Commitment to “Human First” approach. Recognized by Kariyer.net(biggest job portal of Turkey) with “Human Respect Award”.
- The sustainability vision, strategy and implementation plan have provided a framework for the development of relations with all their stakeholders.

The company was awarded the “social compliance certificate” by WRAP (Worldwide Responsible Accredited Production), an independent, nonprofit organization dedicated to the certification of lawful, humane and ethical manufacturing throughout the world comprising a number of international apparel manufacturers. Social Compliance Manager at the company, states that WRAP certification is received as a proof of company’s commitment to social responsibility by buyers, brand managers, licensors around the world. Moreover, companies that have adopted WRAP principles are exempted from social compliance audits of that buyer companies are obliged to. She also emphasizes that certification of social compliance in production as an important criteria to join EU brings the firm increased reputation and credibility.

**Green Reputation of Company**

According to the analysis of the reputation perception score of the news reports, the company has been observed to be positively perceived by the readers mostly as an environment-friendly organization (distinguished by its environment-friendly products). The company was covered in 66 news reports in 2010 that referred to the environment and the “green factory” concept. Subjects that followed the environment were education, health, sports and arts & culture (can be seen in Figure 18).
2. Innovation

‘True North’ within the Company

The company sets its directions as customer, profitability, speed, *innovation* and competency. They indicate this direction with the term ‘True North’ which every individual in the company are obliged to work according to those directions. To achieve their ‘True North’, social compliance, employee satisfaction and corporate reputation are some of their main strategies. In Figure 19, company’s main strategies to accomplish its ‘True North’ are shown: finance, quality, loading performance, social compliance, employee satisfaction, lead time, corporate reputation. It is tracked by profitability, revenue, loading performance, total lead time, competency and stock achievements in that year. In this manner, the company allocates considerable amount of money to CSR budget.
The company believes that in its survival until today their innovative approach - which employs superior technology, high quality human resources and professional management structure - has played a great role. The company closely follows sector-specific trends both in production and management and innovation sits in the core of its corporate objectives.

Its innovative approach can be seen more clearly in its products rather than other directions. For its international apparel companies, they invest in innovative fabrics such as organic cotton, recycled cotton&polyester fabric and nano hybrid fabric.

As of being one of the first companies in Turkey in producing recyclable cotton fabrics, company patented those fabrics under the name “e-fabric” and after the closure of application brands “Organic” and “Recycle” have been registered.

The company has received several innovation and technology prizes on national platforms at the R&D project market. At the same time, it has been presented as an example due to the importance it attaches to the subject and innovative efforts it undertakes.

**Figure 19.** Social Compliance is an integrated part of their business strategy (Modified from Global Compact 2012)
Corporate communication manager and production planning expert both agree on that good management of innovation is crucial to attract more customers and win the competition, consequently, to get more revenue from the market.

4.3.3. CSR Practices Regarding Supply Chain Management

The company follows and complies with international social or environmental relevant standards such as: Global Compact Agreement; Social Accountability SA800; Oekotex Standard 100 (globally uniform testing and certification system for textile raw materials, intermediate and end products at all stages of production); Global Organic Textile Standard (leading processing standard for textiles made from organic fibers worldwide); and Organic Exchange (OE) certificates for tracking and documenting the purchase, handling and use of 100 percent certified organic cotton fiber.

Customers from the U.S.A: and EU countries in the ready-to-wear and household textiles sector evaluate their suppliers with respect to good quality, fair price, on time delivery and compliance with social responsibility standards and place their orders accordingly. Consequently the company is subjected to social compliance audits by its customers and potential customers throughout the year on the principles of the Global Compact and on other issues. Thus, complying such international standards brings diverse benefits for its supply chain management. For instance, around the globe there are many companies who are the member of Organic Exchange (OE) such as H&M, Marks & Spencer and Mango. Getting OE certificates can open the doors of directly doing business with such brands; and indirectly becoming a partner in supporting the organic agriculture.

When the buyer collaboration with the company and occurring problems related to CSR requirements asked, corporate communication manager at the company stressed on the importance of their past collaborations. If there is an international standard and codes of conduct to meet, they try to fully fulfill those requirements; and when a delay occurs or something goes wrong in audits thanks to their prior experiences with the company, customers tolerate those mistakes like giving extra time until they fulfill those expectations.

Corporate communication manager also shares her thoughts on the future of CSR issue for emerging economies, which there will be an industrywide collaboration to improve working conditions at factories overseas in the future. She believes that similar to how Turkish apparel companies catches up with the worldwide standards in production by product quality, delivery speed, product diversity, design, Turkish companies will be on the same levels of CSR considering the increased awareness of firms, the substantial investments in this manner and efforts have been made so far.
5 Analysis

All the information collected from interviews and documents will be analyzed in this chapter. First, the Chinese and the Turkish supplier are analyzed separately, regarding their CSR perspectives, implementations, their CSR and their relationships with NIKE, Inc., respectively, their CSR outcomes including innovation and reputation. Second, in the end of the analysis chapter, two suppliers will be briefly compared with regard to these above aspects. As a result, the results from two different suppliers will be discussed with the existing theories to verify the theories as well as to see if they can represent suppliers in these two emerging economies - China and Turkey.

5.1. CSR Perceived by Chinese and Turkish Supplier

As the scholars have proved, there is no general agreement of how CSR should be defined. Just like this, the Chinese supplier has its own interpretation of its CSR practices.

For a long time, CSR has been perceived as important to the company examined in this study. The company has been working with CSR proactively. Although the interviewee admits that the company is to some extent influenced by increasing demand on CSR, media and the market are the biggest pressures on companies, especially outsourced companies which have multinational customers. This is consistent with Zhu et al. (2005) and Levinson (2009) who name “customer expectation” and “media pressure” as important drivers. Moreover, the company believes that the pressure from either media or market only emerges whenever a CSR scandal is uncovered. However, companies should not count on this. Each company should work with CSR proactively to make sure there is no risk.

However, pressure from the international customers is not really outstanding to the Chinese supplier. This is most likely so because the company itself is a subsidiary of a big MNEs whose center company is established in the US. As stated in the background, CSR awareness has already reached a mature level in Western countries (Jamali, 2007). Hence, the CSR requirements from the customers are not the main motivation of the Chinese supplier to engage itself in CSR practices. In other words, the company is not just obeying the CSR demands from customers. It has always realized its importance.

As we have discussed in the theoretical framework section, Carroll (1991) defines four kinds of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. He explains the four components by using the metaphor of a pyramid. From the bottom layer to the top layer there is economic, legal, ethical, and
philanthropic, in order. Four components are sorted by its levels necessity and basic responsibility.

Considering our study, the Chinese supplier perceives CSR as in both the economic level and philanthropic level. The company’s economic level refers to its commitment to achieve business success through socially responsive practices. The company believes that economic success and social success are intertwined together. Be profitable in business is the foundation of contributing to the society. Philanthropic level refers to all social activities like donation, education supporting, caring for its employees’ health and safety, etc.

Nevertheless, according to the pyramid model, legal level is not obvious. As the interviewee says, it is easy to just following the laws, but there is more that has to be done. Thus, driver of “relevant regulation” is not the main driver here in this case. Additionally, ethical level of Carroll’s (1991) pyramid of CSR is not essential for the company, only to do “right things” and avoid harm is far not enough for an emerging company.

From our perspective, the conventional CSR concept in China is donating. However, some companies use these strategies to green wash their brands. Besides donating, the company’s CSR practices cover a wider range. It focuses on community development, not only on those relatively developed regions in China, it is stated by the interviewee that the community development has been focused on some rural regions like Sichuan Province or Anhui Province these days.

As we understand it, the way the company perceives CSR is only partly in line with the way the Chinese government defines CSR. For instance, the responsibility is held while pursuing economic profits. It is also in consistence with the part of the definition of “community, shareholders, employees are involved in the responsibilities”.

To sum up, the Chinese supplier sees CSR not purely a requirement from multinational customers, but a necessary part of their business process. While developing CSR practices, it builds a positive image, wins public trust, thus in the long run, stands out in the industry, and those can be done through authentic care for the community where the employees work and live.

The Turkish company had its own responsible business practice for more than 30 years and supported a strong commitment to economic, environmental and social sustainable development, in line with the definition of Mohr et al. (2001) on CSR: “A company’s commitment to minimizing or eliminating any harmful effects and maximizing its long run beneficial impact on society.” As a result of this commitment, the company conforms to the principles of highest internationally accepted social compliance standards called
United Nation’s Global Compact (UNGС). The UNGC is one of the world’s largest corporate citizenship and sustainability voluntary initiative (Williams, 2007). Lee and Carroll (2011) define CSR by categorizing it into four chapters: economic responsibility (be profitable), legal responsibility (obey the law), ethical responsibility (be ethical), and philanthropic responsibility (be a good corporate citizen). Here, signing up to UNGC as a voluntary initiative shows that the Turkish company meets its responsibilities to society beyond its economic and legal obligations.

It has been discussed in our study that all the concepts of CSR in terms of CSR prizes and awards, CSR reports, CSR-related regulations, and CSR guidelines differ according to each country (Lee and Carroll, 2011; Fombrun, 2005). Studies on the concept CSR points out that the definition evolves in concordance with local situations (Taneja et al., 2011). In our case, the CSR definition particularly evolves around the company’s ‘People First’ approach which is their priority at the company since it is the very foundation of it. In our interviews it is clearly seen that their efforts and projects contribute first to their employees and stakeholders and then to the whole society in general. Hence, not only their employees but also partners are aware of their superior contributions; and thus regarding employees the company awarded by Burberry (partner of the company) for its sensitivity towards social responsibility and employees.

According to the pyramid of Corporate Social Responsibility defined by Carroll (1991) which covers four kinds of social responsibilities of business organizations (economic, legal, ethical, and philanthropic), the Turkish company fulfills its economic, legal, ethical and philanthropic responsibilities, simultaneously. However, among all, the company culture reflects more on the philanthropic responsibilities. The company stresses on its “people first approach” coming from the strong Turkish culture reflecting caring towards society and the strong top management support and involvement of the whole company in its philanthropic efforts. Compared to the other layers, Carroll (1991) defines philanthropy as more discretionary or voluntary. The company gives a great example of voluntary acts like supporting education, supporting sport among youth, helping earthquake disaster, carrying out employee satisfaction surveys and acting upon results. Such examples of philanthropic efforts, in line with Cozanne т al. (2007), clearly reflects that the Turkish context, religion and history, has held an important influence in understanding of CSR which is highly linked to philanthropy.

Furthermore, the economic performance of the company as a basic building block of the pyramid shapes other levels of the pyramid. To fulfill its economic responsibilities, the company is progressively increasing its market share in export markets by providing the highest quality of services and products. In doing so, legal, ethical and philanthropic responsibilities let the company gain advantage over its competitors. On top of economic responsibilities, organizations are expected to pursue their economic missions within the framework of the law (Carroll, 1991). Employees of Turkish company work under
conditions which comply with national and international standards and receive wages according to these standards such as the “Labor Law” numbered 4857 or the “Collective Bargaining Agreement”. Activities causing waste water, hazardous waste and solid waste generation and air pollution are monitored through a separate Environmental Management System in accordance with the regulations issued by the Ministry of Forestry and Environment of the Republic of Turkey. Moreover, these activities are guided through the Global Compact Agreement, the SA800, the Oekotex Standard 100, the GOTS and the OE certificates.

The company also satisfies its obligation to be ethical. Carroll(1991) defines to be ethical as to act upon standards, norms or expectation of what is right, fair, and just for the stakeholders. Some of its partners define their own standards or some ask its partners to follow certain international standards. For example, the Turkish company is subjected to Intertek(Intertek is a leading provider of management systems audit and certification services, to standards such as ISO 9001, ISO 14001, etc. ...) Audit by NIKE, Inc..

The CSR Association of Turkey defines CSR as “efforts to behave socially responsible on social, economic and environmental issues so that business can have a positive impact on the development of the society. To set an example for other companies and to have a positive impact on the development of the society, the company always puts "people first". In doing so company has close relationship with academy (universities in the region) and government such as the CEO of the company actively attends organizations to raise public awareness on social responsibility. Also, their magazine ‘People First’ publishes information on social responsibility and environment in each issue to raise awareness among its readers on these topics.

5.2. CSR Implementation

5.2.1. CSR Implementation in General

Having analyzed the Chinese supplier’s CSR practices, it could be embodied that the core value of the company's CSR revolves around philanthropy.

This is in line with the theory of Lee and Carroll (2011) as the CSR definition is emphasizing more on one or two aspects like ethical and philanthropic responsibility. Based on some social issues in China, the company strives to concentrate its energy on some apparent issues. For instance, its donation to Sichuan earthquake victims; its support to education in underdeveloped provinces in China; its “China Foundation” to encourage promising students as well as its own diligent employees to innovate; its commitment to improving the community’s well-being; all identifies its corporate philanthropy.
The interviewee did mention that preserving the environment is also an important part of the company’s CSR engagement. However, the major purpose of environmental responsibility activities is to reduce negative environmental impact on the community where its employees work and reside, which indicates that its main concern is still safety and health of its employees.

When comparing to the theory findings of the study, it is noted that this “community oriented responsibility” perspective is in consistence with how the USA and Canada define CSR which are presented in our Theoretical Framework. However, it is quite unlike the Chinese definition. This could possibly be since the company is a sub company of an MNE and the MNE itself is located in the USA. Thus, how the company determines CSR is still to a large extent influenced by its parent company including this business ethics and corporate philanthropic practices.

In our theoretical framework, it has been mentioned that the Turkish society thinks charitable donations are highly important and that the understanding of CSR in Turkey is mostly limited to aspects of corporate giving and philanthropy (Cozannet et al., 2007). The Turkish company highly supports this claim with its “People First” motto and philanthropic efforts such as caring education of children, donations, caring its employees.

Mohr et al.(2001) state in their studies that there is a great mismatch between interpretations of CSR in Turkey and contemporary view of CSR which is company’s commitment to minimizing or eliminating any harmful effects for the benefits of society in long run. On the contrary, the company fulfills its responsibilities for minimizing and eliminating harmful effects for the benefit of the society for decades. Not only in its social responsibilities but also in its environmental responsibilities, the company implements environmentally friendly sustainable activities, energy friendly projects and recycling efforts such as sustainable yarn usage (increased percentage of organic yarns), carbon footprint studies to determine the carbon footprint of a T-shirt in cooperation with universities. In all the company’s projects, their primary objective is to make sure that each and every project adds value to their employees, stakeholders and to the public in general to ensure sustainability.

We discussed drivers for Turkey to engage in more CSR practices and some challenges that companies encounter related to compliance with the codes of conduct of their suppliers, as well as local and global standards (Corporate Social Responsibility Association of Turkey, 2010). Competition remains as one the strongest drivers in promoting CSR (Ararat, 2005). Turkish textile companies have chosen to use CSR as a competitive advantage against the threat of low-cost manufacturers from Asia and engaged in CSR voluntarily (Ararat, 2005). The Vice Chair of the Turkey–EU Joint Parliamentary Committee, Umut Oran, states that the Turkish supplier company is one
of the best in Turkey to set an example of maintaining priorities of the sector which are corporation, growth, balance, innovation, new markets, competence management. He believes that the company gradually gain more importance from being health friendly and environment friendly and from having a great potential for organic and smart fabric production. He also states that their excellence in design and CSR practices are advantages of the company to compete with the biggest actors of the industry such as China and India.

In our discussions of CSR in Turkey, it has been said that government’s efforts are forcing companies to be up to the standard of European regulations. With regard to reporting, the United Nations Global Compact Principles and the Global Reporting Initiative’s Guidelines on Sustainability Reporting are becoming increasingly becoming popular among Turkish companies. Nearly 150 Turkish enterprises have signed the UNGC Principles. The Turkish company transparently shares the details of its work under the Global Compact Agreement in the global network since 2008. Thus, it can be said that Turkish companies are increasingly adopting sector-specific standards, codes of conduct, monitoring and certification schemes, which all aim to set up and ensure supply chain responsibility.

In our theoretical framework, we also mentioned the necessity of CSR and related issues such as fair competition and environmental protection to join the EU and the need of more credibility from European market. The “social compliance certificate” of the company given by WRAP (Worldwide Responsible Accredited Production) can be a good example to show how important CSR to gain more credit. The Corporate Communication Manager at the company under examination, states that WRAP certification is received as a proof of the company’s commitment to social responsibility by buyers, brand managers, licensors around the world; moreover, companies that have adopted WRAP principles are exempted from social compliance audits of which buyer companies are obliged to. Consequently, certification of social compliance in production as an important criteria to join EU brings the firm increased reputation and credibility.

5.2.2. CSR Practices in Supply Chain

From the interview, it became clear that the company assigns one small department to take charge of CSR issues and dedicates not a fixed proportion of budget to CSR activities. From our understanding, compared to other domestic suppliers in China, the “Foundation” could be counted as largely generous. The CSR department is in some way embedded in the company’s marketing department. This shows that the company incorporates its CSR strategies into its business strategies. The interviewee revealed that in order to be successful within the CSR field, it is crucial to have a CSR function dedicated to social responsibility issues. In this way, a corporation can win trust from the
public, the market, employees, stakeholders and its buyers that the “whole CSR series” is not merely “green wash”.

As stated on the website, the company endeavors to make the “supply chain green”. In accordance with the theory, in supply chains, the role of purchasing (managers) can be powerful on a firm's involvement in socially responsible activities (Carter and Jennings, 2004). In this case, requirements from NIKE, Inc. do put pressure to the supplier to a certain degree. Like its compulsory requirement of code of conduct. However, from our understanding, the company only sees this code of conduct as simple basic rules. The market and the public demand much more than that. If a company only sticks to its codes of conduct from multinational customers, this company is not fully involved in CSR activities. Hence it is not successful within the CSR field. It might further lose the fierce business competition because of this gap. To build a sustainable future, a supplier must think beyond simple compliance, engage itself in CSR on a voluntary level, and integrate its CSR strategy to its core business strategies.

This is in consistent with Baden et al. (2009)’s argument about supply chain pressure regarding CSR. They believe that the overwhelming motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to “doing the right thing” or “putting something back”.

In the ‘Social Responsibility Policy’ of the Turkish company (which can be seen in Appendix C), it is stated that the company commits itself “to evaluate social compliance activities of its suppliers, to monitor evaluation results with action plans and gradually increase their social compliance level”.

To optimize the long-term value of the corporation, its values need to be aligned with the needs of society and to do this corporations have to balance the needs of a range of stakeholders (Hohnen, 2007). The emphasis here is on the premise that meeting the needs and expectations of stakeholders requires special attention on social responsibility issues. In the Figure 20 below, some CSR practices of the Turkish company targeting that particular group among its stakeholders are given.
World Business Council for Sustainable Development (WBCSD) defines supply chains as complex interrelationships between a wide range of companies. Especially, actions of their direct and indirect suppliers can easily affect corporations. The consequences of bad practices of those in the chain, such as the use of child labor and polluting production methods, can be inherited (Holme and Tinto). The Turkish company agrees with Holme and Tinto and thus conducts scheduled internal audits at the suppliers every year in accordance with the annual main plan and supplier audit plan. For new suppliers, they conduct more strict audits on social compliance, environment, occupational health and safety and leads suppliers efforts according to their social responsibility policy.

There is a possibility that companies at the high-end of the supply chain can use their competitive positioning to influence others in the chain, reported from the World Business Council for Sustainable Development (WBCSD). Here, Turkish company’s business partners take the initiative for CSR since customers evaluate suppliers in terms of conformity to social compliance rules. Markley and Davis (2007), from a supply chain perspective, associate CSR not only with business ethics but also with philanthropy, community, workplace diversity, safety, human rights, cause-related marketing, minority support, socially responsible employment and manufacturing processes. Thus,
companies need to do more voluntary work today rather than responding to influential actors of the supply chain. The Turkish company stays in between since it both complies with the customer codes of conduct and does more than only responding to laws and regulations. Supporting the claim of Baden et al. (2009) in which the motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to “doing the right thing” or “putting something back”, the company not just targets existing customer demands and attracting potential customers in doing CSR but also aims at contributing to society with regard to sustainable development of it.

5.3. CSR and Relationship In General

5.3.1. Chinese Supplier

The Chinese supplier believes that its long-term success with customers depends on its ability to constantly meet customers' need in sustainable ways. The company pays attention to customers' demands including “green wise”. However, this does not mean only to comply with relevant regulations. It takes actions proactively and prudently to go beyond compliances and promise to live up to its customers’ demands.

Types of Supplier-Buyer Relationship between the Chinese Supplier and NIKE, Inc.

According to Webster (1992)'s seven types of partnerships, from our understanding, the relationship between NIKE, Inc. and the Chinese supplier could be categorized to somewhere between “long-term relationships” and “buyer-seller relationships”.

It is indicated from both document study and interviews that NIKE, Inc. doesn't have administrative control over the supplier. Although it holds market control over the supplier, the control is comparably small due to the supplier's matureness itself in the Chinese market. Nair et al. (2011) defines bargaining power in a supply chain relationship as the competence which leads to high dependence of one partner on the other. In this case, there exists no apparent bargaining power between both partners. It is a strong business relationship and strong bonds which embody dependence upon each other to some small extend. However, the level of dependence is not high enough to trigger bargaining power. From just the supplier's perspective, it acknowledges the necessity of keeping a good relation with NIKE, Inc.. However, it does not depend on any single supplier. In our opinion, this is primarily due to its parent company and the parent company's global reputation.

According to Bowersox et al. (2010)'s category of supply chain relationships, the relationship in this case could be classified to “Alliance”.

91
In terms of CSR, the supplier aligns its sustainability agenda closely with the customer. They develop sustainable products and solutions collaboratively. With regard to information sharing, it reports about its social compliance performance externally in their sustainability reports and publishes them on the websites. It does not only initiate CSR activities with the customer, but also participates in collaborative initiatives with customers to strengthen the effectiveness of its social compliance program. In this way, it is enhancing its transparency about their social compliance performance and hence enhancing its customer satisfaction assurance. This level of transparent information sharing matches with how Bowersox et al. (2010) determines the type of “Alliance” which is explained as actions like “voluntary integration”.

**Monitoring & Trust and CSR**

The interviewee admits that the company itself has a successful performance on CSR, but he does not think that this is the reason why NIKE, Inc. wanted to work with them. In other words, NIKE, Inc. has been a long term customer to them but it might not be because of its CSR performance.

From our understanding, CSR has an effect on their good relationship but it is not the fundamental element of their long-term relationship. The supplier perceives the importance of maintaining a good relationship with its customers including NIKE and it works hard to maintain it. However, it sees price and quality as the direct reasons of keeping a relationship. In other words, service is the most important aspect. It believes that a high service level is most likely the reason why most of its customers including NIKE chose it as their supplier. It also believes that only by increasing its service level, the supplier-buyer relationship can be steadily strong.

Unlike its good service, CSR is seen as the direct reason to a good corporate reputation. It could be seen, however, as an indirect factor that affects their healthy relationship. Since this study only focuses on supplier’s perspective, how NIKE appreciates the supplier’s CSR practices will remain unknown. However, from the Chinese supplier, we know that it distinguishes its CSR activities as well as its CSR reputations are a small part of their relationship with customers, besides quality and price. In addition, there are no actual more demands regarding CSR from the customers except for codes of conduct. Nonetheless, the supplier truly believes that, although its CSR performance is not a direct reason, without all its excellence CSR performance, there would be no way of their long term working relation. It to a large extent depends on the trust between them.

Since the Chinese supplier was chosen by NIKE, it has been committed to follow its codes of conducts. However, the auditing from NIKE is relevantly loose. There could be two reasons; one is because the components NIKE purchases from the supplier
company are rather small, the other reason as we understand this as its trust on the supplier company’s internal auditing system which is mentioned in empirical data section. Trust is deemed as very vital by the supplier company, because since the customer trusts the supplier to be corporate responsible to the environment and society, it would trust the supplier would actually conduct those CSR activities instead of “green wash”.

The Chinese supplier believes that it does not let NIKE down. Its auditing results are always shared with all customers. The auditing results especially indicate that their facilities are without significant risk, let alone child labor or forced labor.

In conclusion, we can see that CSR has slight influence on the relationship between the supplier and NIKE but to a small degree. It rather characterizes its good service like quality and price as dominating reasons for maintaining a long-term relationship. The way CSR affects their relationship is in the way of building trust which in this cross-border case, needs longer time and more cost to build (Jean et al., 2010). However, the suppliers’ good reputation of its CSR practices has made it somehow easier to build.

5.3.2. Turkish Supplier

From the Turkish company perspective as a supplier, bargaining power always exists. Even if it does not appear in the form of pricing, it appears as a threat in building stronger business relationship. American or European MNEs do not use this power on pricing arrangements since the Turkish company has already differentiated itself from low-cost manufacturers with its efforts in terms of high quality, delivery, and conformity to social compliance rules. Such increase in independence can be linked with the increase in the buyer’s commitment to the supplier which leads to a stronger business relationship and stronger bonds with the supplier firm (Tellefsen and Thomas, 2005). Furthermore, this power of dependence of one partner on the other is a great motivation for the company to keep following good examples around the world and implementing green production policies. Moreover, the company proactively tries to gain its bargaining power over its competitors by maintaining an innovative approach. The company closely follows sector-specific trends both in production and management and innovation.

Information sharing and inter-organizational trust are built through audits both internal and external where partners are informed of requests with regard to social compliance, environment, occupational health and safety. One of the fundamentals of good supplier-buyer relationship is trust (Jean et al., 2010). Importance of trust between the company and partners can be seen clearly when a problem occurs in audits like not being able to meet specific requirement; and in such cases, the company uses its credits for flexibility.

**Types of Supplier-Buyer Relationship between the Turkish Supplier and NIKE, Inc.**
Having analyzed the Turkish supplier’s interaction and collaboration with NIKE, Inc., their relationship with NIKE, Inc. could be categorized to “Buyer-Seller Partnership” according to Webster (1992)’s seven types of partnerships. This is not simply because the Turkish company names NIKE, Inc. as its “business partner”. As one of its major contracted customers, NIKE, Inc. is to some extent involved into both the supplier’s administrative and market control. In terms of administrative control, it is reflected in the supplier’s monitoring system. It is to a large extent influenced by NIKE, Inc.’s monitoring system. In terms of market control, it is represented in NIKE, Inc.’s bargaining power (Nair et al., 2011) over the supplier in this supply chain relationship. NIKE, Inc. plays an important buyer role in the supplier’s business operation. According to the interviewee, the Turkish supplier’s business success is dependent on NIKE, Inc. to some point. However, neither the administrative control nor market control is strong enough to take the control over the other one. From our understanding, both controls are quite even without exceeding the other one. Hence, we assume this 50-50 percent administrative and market control from NIKE, Inc. over the Turkish supplier identifies this relationship a “Buyer-Seller Partnership”.

In terms of information sharing, their relationship could also be classified to “Alliance” according to Bowersox et al. (2010). This is because the supplier’s social compliance as well as all its CSR activities are reported transparently to its buyers. Every audit result of its subcontractors and its suppliers are reported to the buyers as well. This is in line with “Alliance” relationship’s explanation – “voluntary integration” (Bowersox et al., 2010).

**Monitoring & Trust and CSR**

According to the interviewee, the competitive competences of the company over other suppliers in the same industry in Turkey are on-time-delivery and conformity to social compliance. They believe that these two aspects both increase NIKE, Inc.’s commitment and investment to this strong business relationship.

Nevertheless, compared to each other, CSR is not perceived as the determining reason for their relationship. Strict demand on delivery time is considered the biggest pressure on the supplier company. CSR is counted as “important additional credits” to win trust from buyers. This is embodied from NIKE, Inc.’s monitoring system to the company. NIKE, Inc.’s auditors only come once a year staying for 6 to 7 days to audit the supplier’s compliance. Other times of the year they check the compliance report from the Turkish supplier. However, for delivery time, NIKE, Inc. constantly has a very high requirement and sometimes this requirement increases under certain circumstances.
The supplier itself deems that both on-time-delivery and CSR are imperative to build a relationship with NIKE, Inc., but on-time-delivery is more crucial to sustain a long-term relationship. The demand pressure on delivery time is much more than the pressure on CSR. The pressure on CSR only comes from the Code of Conduct and monitoring routine which the Turkish company can handle fairly well. According to the Turkish company, they believe that CSR wins the trust of NIKE, Inc.. Since the Turkish supplier has been establishing a good reputation as a social responsible company, it gains the trust from NIKE, Inc. considering chemically qualified products, labors’ working conditions, no corruptions, etc. This fact consolidates business trustworthiness between the supplier and buyer, which according to Jean et al. (2010), serves to build a common bond among supply chain members.

In conclusion, CSR is important to the supplier’s relationship with NIKE, Inc. but crucial. The crucial fact is short delivery time. However, CSR strengthens the trust between them which also makes the monitoring much easier and smooth. However, how NIKE, Inc. measures the CSR in their relationship management would have to remain unknown because this study’s interest is only on the supplier’s perspective.

5.4. CSR and Innovation

Embodied from the Chinese supplier’s performance on innovation, it apparently shows that the supplier company’s CSR activities are positively linked to its innovation competence.

First, the company sees innovation as its core value and a very important part of its business strategy. Moreover, the company authentically puts pressure on its Research & Development department to ensure a certain innovation with its new product development. From our point of view, this innovative and entrepreneur spirit is the result of the company’s CSR awareness. Moreover, it is mostly the awareness of environmental responsibility aspect if compared to social responsibility. It is shown from the company’s innovation framework that the supreme goal is to minimize the products’ environmental or health impact. In other words, innovation is imperative because CSR is imperative within the company. This is in line with some researchers’ findings that a company’s capacity to innovation could be enhanced by CSR; the concept and scope of CSR contributes to corporate competitive strategy by integrating CSR into core business through innovation (Gugler and Shi, 2010).

In addition, the company's innovation competence could be the result of its opportunity awareness. Innovation is perceived as a good competitiveness to stand out in the market, especially in the Chinese market where innovation is not mature enough to be counted as a competitive advantage. Nowadays because of economy crisis in Europe, investment from Europe has been declining to a large degree. Additionally, Chinese
garment industry itself is a labor intensive industry, staying competitive is very important for Chinese private companies. Accordingly, under this pressure, companies are struggling to find a special way out to support their economic performance and business image. The Chinese supplier in this case has the technological resources to be innovative from its parent company in the US. So being innovative is deemed as an opportunity to stay competitive in the Chinese current market.

In conclusion, for the Chinese supplier, CSR triggers the company’s innovation capacity, and innovation leads to more opportunities for the company. According to Porter and Kramer (2006), CSR is much more than a cost. By analyzing prospects, it can be a source of opportunity, innovation and competitive advantage. This can be exactly applied for the Chinese supplier company.

The Turkish company positions itself innovative which is in a process of continuous self-renewal, closely following sectoral trends and incorporating them with a requisite degree of production and management flexibility. Company has innovation in the core of its corporate objectives. This innovative approach of the company can be seen as a reflection of its strategic approach to social and environmental issues. Higher priority for a strategic approach to social and environmental issues are linked with innovation activities (Wagner, 2010; Oppenheim et al., 2007).

At the Turkish company, their corporate decision making mechanisms evolve around its customers, profitability, speed, innovation and competency. The term ‘True North’ which indicates the directions of the company includes innovation. On the way to ‘True North’, social compliance and employee satisfaction are some of their main strategies. This apparently shows that CSR becomes central among executives for their corporate decision making (Gugler and Shi, 2010; EIU, 2005).

Environmental management and CSR activities within the Turkish company result in innovative fabrics such as organic cotton fabric, recycled cotton & polyester fabric, BCI cotton fabric, and aesthetic fabric using PVA melting yarns. Its innovative approach can be seen more clearly in its products. In Turkey, the company is a pioneer as of being first in producing recyclable cotton fabrics including patent applications of those fabrics. Environmental management and CSR activities can lead to innovation that can improve firm’s economic performance (Wagner, 2010). In this mechanism, Wagner (2010) claims that innovation triggers product differentiation and this can lead to higher prices and hence improve economic outcomes. The company is well aware that their innovative products brings more customers such as the recent H&M partnership and consequently a better economic situation. There is a consensus about the correlation between CSR and overall corporate competitiveness (Murillo and Lozano, 2006) and in the linkage between CSR and its impact on national competitiveness (Gugler and Shi, 2010). Corporate communication manager and the Production Planning Expert both state that
good management of innovation is crucial for competitiveness. To attract more customers, and, consequently, to get more revenue from the market they proactively work on innovation. To illustrate the linkage between CSR and its impact on national competitiveness, the company has received several innovation and technology prizes on national platforms which is stated to create a positive impact on its national competitiveness.

To sum up, for the Turkish supplier, CSR is a strategic approach for innovation in the core of its corporate objectives. Higher priority for a strategic approach to social and environmental issues triggers the company's innovation capacity, and innovation leads to product differentiation (innovative products). Product differentiation is a great opportunity for its competitiveness as well as economic performance. Similar to the Chinese company, the results of their corporate efforts support Porter and Kramer's (2006) claim that CSR is much more than a cost by analyzing prospects that it can be a source of opportunity, innovation and competitive advantage.

5.5. CSR & Corporate Reputation

Firstly, on a company level, the Chinese supplier has remained a very positive corporate image for a long time. It has been identified by the local community “a social company”. This differentiates the company from other manufacturers in the same regions in China and makes its products special to their customers and consumers. Since most domestic suppliers do not have thorough CSR practices, CSR practices could be counted as a differentiation strategy for the Chinese supplier in the market.

Secondly, the acknowledgements received by the vice president of the Chinese supplier have proved its positive reputation on an individual level. This shows that CSR practices can gain the company leader personal reputation as well. Likewise, the leader's good image can vice versa drive the CSR development of the whole company.

In our opinion, both the company's reputation and personal reputation are the corporate intangible assets; CSR is a way to accumulate the company's intangible assets. Gugler and Shi (2010) state that in tangible assets like corporate image and reputations have become more valuable than tangible assets.

The Chinese supplier is well aware of the importance of intangible assets and opportunities they can bring. The prevalence of the Chinese supplier’s “social company” image has resulted in several advantages for the company. Firstly, they increase market recognition. Secondly, more resources can be acquired for the company. This in turn improve the company’s financial performance, further enable that the products have a better quality and ensured a capability for on-time delivery. Consequently, the certainty of supplier-buyer collaboration was guaranteed further. With the closer supplier-buyer
collaboration, it is obvious that the company can obtain more resource from the buyer to improve even more its CSR practices. It seems like a virtuous circle which is depicted in Figure 21. As the figure shows, everything is intertwined with each other, and using CSR practices to build a good corporate reputation is a good start.

**Figure 21. Virtuous Cycle**

This verifies the theory that CSR performance of corporations has become part of selective criteria to the access to investment and financial market (Gugler and Shi, 2010).

Besides, the Chinese supplier's improvements on its employees' health and safety as well as the supplier's contribution to the community development honored the company “Top 50 Best Employers”. This reputation of “caring for the employees” attracts increasingly skillful and talented employees to the company. This generally enhances employees' productivity, which similarly, as mentioned above, can improve financial performance, quality, delivery capability, and more collaboration.

For the Turkish supplier, on national platforms it can be said that the company has a good reputation as a “green factory”. Studies of reputation perception shows that the company holds a great reputation of being environmental-friendly among other dimensions including supporting education, health and culture. Besides its green reputation, on international levels the company has a reputation for being socially responsible and eco-friendly. The company sees its production partners such as NIKE, Inc., Zara, H&M as a reflection of its great reputation because such MNEs apply strict policies to their supply chain with regard to CSR. For ‘CSR-friendly’ supply chain
concerns, companies get ‘license of operate’ in doing business with MNEs (Gugler and Shi, 2010). Thus, doing business with MNEs contributes to a company’s good CSR performance; and accordingly corporate reputation. Such good CSR performance has started to be linked with good reputation and CSR activities are an important component in building reputational capital (Gugler and Shi, 2010). Here, production partners of the Turkish company are seen as an important components of corporate image and reputation. Corporate image and reputation as intangible assets have increasingly become more valuable than tangible assets of a company (Gugler and Shi, 2010). The company is well aware of the importance of the corporate image and reputation and takes voluntary actions for its enrichment. For example, one interviewee thinks that the “social compliance certificate” which the company was awarded by WRAP for extra efforts for lawful, humane and ethical manufacturing brings the firm increased reputation and credibility. Therefore, the company not only directs its efforts for profitability (tangible assets) but also its CSR.

Gugler and Shi(2010), with regard to the role of governments for pointing out malpractices or vice versa successful practices within the industry, introduce the concept of “name and shame” for using CSR information of companies and make it public either to damage or to promote. We can see examples of the “name and shame” concept such as “Human Respect Award” or the award for its contribution to the promotion and development of the city by the Governorship of Bursa.

5.6. Synthesis of Analysis

Table 5 shows the general comparison between the Turkish supplier and the Chinese supplier regarding their CSR perspectives, implementations and outcomes respectively.

In terms of the two suppliers’ perspectives on CSR, both agree that there is no general agreed definition of CSR widely. They both interpret CSR according to their own perspectives. As for the pyramid of CSR (Carrol, 1991), both of them consider their CSR economic level and philanthropic level by pursuing for profits and initiating voluntary social activities. However, as our result shows, the Chinese supplier emphasizes their CSR perspectives only on an economic level and a philanthropic level whilst the Turkish supplier applies CSR on four levels including also ethical and legal levels. Furthermore, both suppliers’ CSR perspectives cover social responsible aspects such as supporting education, donation, etc. While the Chinese supplier represents their CSR only on social aspect, the Turkish supplier also includes environmental aspects such as reducing hazardous wastes into their CSR perspective.

In terms of CSR implementation, the Chinese supplier underlines their implementation of philanthropy and community responsibility while the Turkish supplier also emphasizes environmental responsible activities such as environmental friendly designs. Regarding
philanthropy, both suppliers put effort into donations, caring for educations, caring for employees, etc. Besides, the Turkish supplier considers sustainability reporting an important element of CSR implementation which the Chinese supplier did not mention. With regards to their CSR implementation in supply chains, both enforce conformity to codes of conducts from their buyers but doing voluntary activities beyond conformity. The Chinese supplier also incorporates CSR strategies to its business strategies. The Turkish supplier integrates their CSR practices into an upstream of their supply chain as well. They attempt to influence their suppliers in the chain.

In terms of CSR and supplier-buyer relationship, the two suppliers have much in common; both their relationships with NIKE, Inc. could refer to “Alliance” according to Bowersox et al. (2010)’s categorization of supply chain relationships. However, by Webster (1992)’s categorization of partnerships, the relationship between NIKE, Inc. and the Chinese supplier falls somewhere between “Long-term relationships” and “Buyer-Seller Partnerships” while the relationship between NIKE, Inc. and the Turkish supplier meets the definition of exact “Buyer-Seller Partnerships”, as we understand it. Meanwhile, both suppliers consider CSR important but not crucial to their relationships with NIKE, Inc.. They both see CSR as an additional credit to their supply chain relationships. The direct trigger for a good relationship with NIKE, Inc. is cost and quality according to the Chinese supplier and on-time-delivery according to the Turkish supplier. From our point of view, CSR to the Turkish supplier is, to some extent, seen as more important than to the Chinese supplier in their relationships to NIKE, Inc..

In terms of CSR and innovation, both suppliers admit that CSR awareness and activities positively trigger their innovation capacity which is a competitive advantage and can bring about more opportunity for the companies.

In terms of corporate reputation, it is seen as intangible asset by both suppliers. This intangible asset is closely linked with CSR practices. Both suppliers agree that CSR helps boosting corporate reputation, corporate reputation helps getting more collaboration with MNEs which vice versa, enhances corporate reputation. The only difference between the two suppliers is that the Chinese supplier also finds that CSR is linked to personal reputation of the company which the Turkish supplier did not mention.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSR Perspective</strong></td>
<td>Chinese</td>
</tr>
<tr>
<td></td>
<td>• No agreed definition</td>
</tr>
<tr>
<td></td>
<td>• Social aspects</td>
</tr>
<tr>
<td></td>
<td>• Economic and</td>
</tr>
<tr>
<td></td>
<td>philanthropic level</td>
</tr>
<tr>
<td>CSR Implementation</td>
<td>Voluntary activities such as donations, caring for educations, caring for employees •Conformity to codes of conducts from buyers</td>
</tr>
<tr>
<td>CSR &amp; Supplier-Buyer Relationship</td>
<td>“Alliance” relationship with NIKE, Inc. •CSR is important but not crucial to the relationships</td>
</tr>
<tr>
<td>CSR &amp; Innovation</td>
<td>CSR leads to the competitive advantage of innovation capacity</td>
</tr>
<tr>
<td>CSR &amp; Reputation</td>
<td>CSR leads to a positive corporate reputation which is intangible asset for the companies</td>
</tr>
</tbody>
</table>

Table 5. General comparison between Turkish supplier and Chinese supplier
6 Discussion and Conclusions

6.1. Answers to Research Questions

What perspective do suppliers in emerging economies have on CSR and how is CSR implemented?

There is no general agreement on a CSR definition among studied supplier companies in emerging economies. Confusion in literature on an internationally valid CSR definition is applicable for them as well. Chinese and Turkish supplier do not agree upon one single definition of CSR. They have their own interpretations of being socially responsible and their own responsible business practices.

Each company is influenced by increasing demands on CSR such as new trends of doing business with SMEs in emerging economies. Media and market are important actors to force companies act responsibly, especially the ones doing business with MNEs. However, studied companies set a good example of working with CSR proactively instead of responding pressures of media or market. In other words, the companies that are studied are not just obeying the CSR demands from customers but putting more emphasis on CSR.

They proactively work on CSR and sometimes take an initiative role showing that the company meets its responsibilities to society beyond its economic and legal obligations. They have their own responsible business practices supported by a strong commitment to economic, environmental and social sustainable development of their countries. They no longer see CSR as purely a requirement from multinational customers, but a necessary part of their business. Their CSR engagement, in this manner, shows similarities in terms of philanthropic and environmental responsibilities. Whereas, it differs when competition and specific market needs are an issue.

According to the pyramid of corporate social responsibility, both companies are proactively work on different levels among economic, legal, ethical and philanthropic levels of pyramid. From the two company perspectives, economic success and social success are intertwined and must reflect CSR together. Ethical requirements are not easy to decide, set and respond for both company but they believe it is through doing the “right things” and acting upon standards, norm and expectations. In doing so, partner companies(customers) lead them with their own standards or international standards on diverse fields. There is a small difference between the Chinese and the Turkish company in terms of defining CSR according to requirements of the pyramid. Chinese supplier perceives CSR as economic requirements and philanthropic requirements that have to be met at the same time whereas the Turkish company culture reflects more on the philanthropic responsibilities. Caring towards society, strong top management
support for involvement in philanthropic practices and the “people first” approach brings such a result for the Turkish company.

CSR practices of case companies mostly revolve around philanthropy. Those practices reflect social issues of country, concerns regarding some groups of society or minority rights. For China and Turkey as an emerging economies, company’s philanthropic requirements include donations to victims of natural disasters, support to education in underdeveloped provinces, support to employment of minorities or women, commitment to improving employee’s well-being and society and commitments to improving the work environment, with special emphasis on protection of youth.

Environmental responsibilities are another important part of their CSR practices/engagement. Both companies implement environmentally friendly sustainable activities, energy projects, recycling activities, and so on. They not only add value to its employees, community but also ensure sustainability by reducing negative environmental impact of their processes on community.

In CSR engagement, competition is a great driver in promoting CSR. Companies are challenged by compliance with codes of conduct as well as compliance with several local and global standards within the garment industry. CSR practices have been chosen as a competitive advantage against threat of low-cost manufacturers.

**What positive effects can be associated with CSR compliance in supplier-buyer relationship in emerging economies (Turkey and China)?**

According to the classifications that have been made in the literature the business relationship between the Chinese supplier and NIKE, Inc. can be defined as “alliance”. At the same time, it can also be somewhere in between “long-term relationships” and “buyer-seller partnerships”. There is also a similar business relationship between the Turkish supplier and NIKE, Inc. with regards to “alliances”. However, “buyer-seller partnership” is also applicable in their situation.

The relationship between the Chinese supplier and NIKE, Inc. is slightly different because the supplier itself is a subsidiary of a MNC based in the USA. We suppose this is the reason why there is no bargaining power between the supplier and the buyer. It is also the reason why NIKE, Inc.’s auditing system to the supplier is loose. Meanwhile, the trust on CSR between the two companies is solidly high. It is because the American MNC is already reputable for its corporate responsibility and contribution to the community.

Nevertheless, there exists bargaining power between the Turkish supplier and NIKE, Inc.. The supplier depends on NIKE, Inc.’s commitment to this relationship to strengthen
its business image in Turkey. The trust in general between the two companies is strongly linked to their long term working experience and the supplier’s punctual delivery. The trust on CSR, however, is built on a strict bid process, auditing system and the supplier’s transparent reporting. This in turn puts pressure on the supplier, where such pressure influences their relationship.

Lastly, we ascertained that there is no obvious positive impact linked with CSR compliance in terms of supplier-buyer relationship for these two suppliers. For both suppliers, CSR is not the direct reason for a good and long-term supplier-buyer relationship. CSR compliance enhances the trust between the suppliers and the buyer which may to some extent concrete their relationship when the relationship is already committed and has a long-term potential. However, CSR practices do not affect their relationships. Regarding the Chinese supplier, higher quality and lower price are the main factors that can be associated with positive effects in the supplier-buyer relationship. Regarding the Turkish supplier, it refers to shorter delivery time in this case. Thus, the direct answer to the second research question is that there is no obvious positive effect that can be associated with CSR compliance in supplier-buyer relationship.

**What performance effects can be associated with CSR compliance in companies’ competitive capacities (innovation, reputation, etc.)?**

CSR activities of the supplier companies are positively linked to their innovation competence and corporate reputation/image. The more they integrate CSR into their core businesses through innovation, the more CSR contributes to their competitive strategy.

CSR triggers the company’s innovation capacity and contributes to the company's positive corporate image, and in total leads to more opportunities for the company. For the two case companies from different regions, CSR is a source of opportunity, innovation and competitive advantage rather than just a cost. CSR is a strategic approach for innovation and good image in the core of their corporate objectives.

For the Chinese company, their innovative and entrepreneur spirit apparently evolves around the awareness of environmental responsibility rather than social responsibility. The reason for this is that their supreme goal is to minimize their products’ environmental or health impact. In addition to the company's environmental concerns, their innovative approach is enhanced with opportunity awareness. In other words, innovation is counted as a good competitive advantage to stand out in the market by the Chinese company. The Chinese environment makes innovation imperative with regard to highly competitive, labor intensive Chinese garment industry. Thus, being innovative is deemed as an opportunity to stay competitive in the Chinese current market.
For the Turkish company, the scenario is quite similar. Good management of innovation is crucial for competitiveness, thus they proactively work on innovation. Its innovative spirit is a result of their continuous self-renewal approach, following sectoral trends and incorporating them with production and management. The company integrates innovation into their corporate decision making mechanism and social compliance is an important part of their strategies. Similar to the Chinese company, their innovative approach is a result of their environmental management program and their environmentally responsible activities. Thus, its innovative approach can be seen more clearly in its products. The company is well aware of the cycle of Wagner (2010) where CSR activities lead to innovation, and innovation triggers product differentiation, then this leads to higher prices and more customers and hence this improves firm’s economic performance.

Both the Chinese and Turkish company have remained a positive corporate image. Chinese company has been identified as a “social company” whereas the Turkish one has remained a good image as a “green factory” on their national platforms. CSR practices, in this manner, are counted as a differentiation strategy in their market. For both companies, corporate reputation is regarded as the corporate intangible assets and CSR is a way to accumulate this assets which have become more valuable than tangible assets at the company. A good corporate image brings more market recognition, more resources, which in turn improve the company’s financial performance. Through a good image, the company can own more resources and the ability to improve its CSR practices. Thus, everything is intertwined with each other. It is accepted from both companies that CSR performance of corporations has become a part of the selective criteria to the access to investment and financial market.

The Chinese and the Turkish company more or less agree on the same approach to a good corporate image. Besides, the Turkish company sees its production partners that have already gained a good image all around the world as a reflection of its good reputation because such MNEs apply strict policies to their supply chain with regard to CSR. In other words, doing business with MNEs contribute to companies’ good CSR performance; and accordingly corporate reputation. Additionally, the Chinese company compelled on the positive reputation on an individual level, received by the vice president of the company. This shows that CSR practices can also contribute to individual reputations within the company. Here, leaders are the ones that can make an impact on corporate image and CSR development of the company.

6.2. Reflections

In terms of being socially responsible company, Chinese supplier can represent a good example. It has already gained a sustainable image on CSR and a stable working
condition. In our opinion, this is a better than average example among all the Chinese suppliers which have export relationships to companies in developed world. It might not be the best appropriate case to represent all Chinese suppliers in this context. In general, we figured most companies are still in the phase of basic CSR compliance. Let along voluntary practices. Some of the companies might not even aware of the importance of CSR requirements from the buyers thus be very corrupted inside the auditing committee. Instead of the underperformance on CSR we are in fact more concerned about the corruption in their auditing system. However, we geniuely hope that this study can provide motivation or inspiration to some Chinese suppliers to improve their CSR awareness and practices. We believe that in terms of CSR, most Chinese suppliers are on their way to a more positive light and brighter future.

From our perspective, results of the analysis of the Turkish company does not represent the average company profile with regards to CSR achievements made in Turkey, especially in its own sector. In Turkey, informal employment is still one of the major problems which leads to work force cost reductions excessively. Second, in Western markets, Turkey is in great danger of share losses in exports due to the attraction of Asian market, especially China, India and Pakistan. As a result, companies struggle to find a way to get out this by lowering the standards of workers. Not so long time ago, more than 50 factory workers died from inhaling too much silica dust during the production of distressed (already-worn look) jeans in Turkey just because they are poor and did this to survive. This incident shows how hard it is to find a job and work in an emerging economy countries.

The analysis of the Turkish company efforts for CSR shows that philanthropic responsibilities of the company are way important than the economic, legal and ethical responsibilities. The reason behind this, from our perspective, which has been mentioned to be coming from company culture, top management or employees cannot be reflecting the actual scenario in Turkey. In our opinion, philanthropic responsibilities reflect country problems or the hopeless need rather than culture. Three million 875 thousand people are illiterate in Turkey and out of these, 3 million 125 thousand are women. There is a big gulf between West and East (rural areas of Turkey). This is just a simple example to show why donations, charities as philanthropic acts are more important.

6.3. Future Research

The study identifies a literature gap related to CSR within supply chain relationships, which is suppliers’ perspectives and practices regarding CSR instead of buyers’. By attempting to close such gap, our study also explores that CSR compliance does not have any obvious effect on a long term supplier-buyer relationship but might bring
competitive advantages to the suppliers from emerging economies such as corporate reputation and corporate creativity.

Having completed our research, we have also discovered some remaining question marks that need to be further investigated. Consequently, we would recommend there to be more exploration and research in some specific areas.

First of all, we have presented the results and analysis of two suppliers’ CSR perspectives and implementations. Although we attempted to provide a brief comparison between the two suppliers, the comparison is rather on the surface since it is out of our research scope to compare the companies in more detail. Deep comparison between these two suppliers could be identified. Moreover, it will be interesting to analyze the results of the comparison to see what exact factors are influencing the major differences. As we are roughly guessing here, the factors could possibly be different culture, religions, population, history time, etc.

Secondly, our research has covered how the relationships between the MNC buyer and the suppliers are affected by CSR implementation from the suppliers’ perspective. It will be interesting to investigate the same area from the buyer’s perspective. For instance, does it really matter if the supplier is doing an excellent job on CSR when they are trying to establish a committed relationship with the supplier? Is there any difference on CSR requirements to suppliers from Turkey and China? Do they modify the codes of conduct to eliminate or add some particular clauses when working with suppliers in China/Turkey?

At last, we studied two suppliers in textile industries in China and Turkey. Further it could be strategically interesting and challenging to see if the results can be generalized at three levels. The first level is the respective national level, meaning whether the results can represent all suppliers in textile industries in China and Turkey. The second level is an inter-industrial level, meaning whether the results can apply to suppliers from other industries as well. Third level is an international level, meaning whether the results can be generalized to cover all emerging economies besides China and Turkey. These remaining unanswered questions require much more time and resource investment. However, they can provide a broader knowledge and deeper insights in the study field of supplier-buyer relationships and they can offer big contributions to both buyers from developed countries and suppliers from emerging economies.
References


Knitting International. (2003) "Moving Turkey Forward" interview with Umut Oran, September 15.


Appendix A - Interview Questions

CSR Concept

1. What kind of CSR is mostly prevalent in Turkey/china? (social, environmental, etc.) Is it similar or different from the CSR encountered in Europe or the West? Please provide concrete examples/explanations.
2. How is the specific Turkish/Chinese environment (e.g., economic, political, social institutions) affecting the evolution or specific forms/manifestations of CSR?

External Motivations for CSR

3. Has your company experienced more pressures in recent years to engage in CSR? Can you please dwell on the nature and sources of these pressures from the perspective of your firm?
4. Which of those actors play more important role (e.g., buyer, private sector, public sector, civil society sector and academia) in a national CSR agenda?
5. Is the CSR you engage in intended to respond to local or international pressures? Please provide concrete examples/explanations

Business Ethics (social aspect)

6. In which areas (human resources, marketing, finances, production) is the insertion of CSR issues of the company more evident?
7. Isn’t it enough for a good company to follow the laws?

Environmental CSR (environmental aspect)

8. What is the importance of corporate environmental management for the competitive success of the company?
9. Is the insertion of environmental issues into production function viewed as a source of opportunity? / Has the treatment of environmental matters generated an opportunity for process or product innovation?

Company Culture (supporting)

10. Which of those reflect the characteristics of your organization’s culture in CSR?
   • Responsibility towards the environment
   • Responsibility towards diversity
   • Responsibility towards human rights
   • Responsibility towards philanthropy
   • Responsibility towards safety
CSR Compliance

11. Do your buyers/partners initiate efforts for CSR?
12. Based on your experiences, what are some specific activities/regulations that you consider to be CSR compliance coming from customers/partners like NIKE, Inc.?

Implementation of CSR Practices

13. How do you go execute your CSR activities (e.g., formally, informally, openly and explicitly, or discretely)?
14. We have read about studies in Sweden where one of the major points brought up by the multinational enterprises mentioned shifting *audit* responsibilities to the suppliers and train them to monitor their own suppliers. What is your opinion on that? Do you feel that your organization is mature enough to do take on this role?

Benefits coming from CSR (innovation, reputation,...)

15. What aspect of your buyer/partner influences the sustainability and innovative efforts of your company? (code of conduct, ethics statement, culture, top management support, regulations, laws, etc.)
16. If you define your company as a socially responsible in its supply chain, what are the benefits/positive outcomes of being so?
   - financial returns
   - prestige, good repetition
   - customer satisfaction/buyer satisfaction
   - social, governmental support,
   - better company culture
   - employee motivation
   - innovativeness
17. How much do you contribute or initiate production methods or design? Do you feel that the opportunity has been given to you to be a large part of buyer/partner’s value chain? Please explain. (Can you make your own decisions on orders of partners?)

Supplier-Buyer Relationship

18. If the standards are grouped into three main categories:
   - Labor human rights
   - Environment
   - Business ethics
Which one do you think is the easiest one to meet?
19. How does buyer collaborate with the company in dealing with problems related to CSR requirements of partner company? Or vice versa

20. Has CSR policy of buyer company increased the long term supplier-buyer collaboration?

21. In the future, do you believe that there will be industry-wide collaboration to improve working conditions at factories overseas?
Appendix B - Global Compact Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
Appendix C - Social Responsibility Policy

Social Responsibility Policy

Our company, having adopted “people first” philosophy and signed the Global Compact; is aware of its social responsibilities and commits itself to the following:

- **Child Labour**
  Not to employ any worker under the age of 18 and act in accordance with the laws of child and young labour employment.

- **Forced and Compulsory Labour**
  Not to employ any worker bounded by contract, by force or without consent.

- **Occupational Health and Safety**
  To adopt a proactive approach based on risk analysis, to ensure that all employees are actively participating in implementation of health and safety procedures and to provide a working environment that gives priority to the general health of employees.

- **Freedom of Association and Right to Collective Bargaining**
  To respect the right of employees to bargain through their authorized union.

- **Discrimination**
  Not to employ workers according to their race, colour, language, religion, ethnical background, pregnancy, marital status or gender but to employ according to the skills required to perform the job and refer to the same criteria for compensation, benefits and promotions.

- **Disciplinary Practices / Harassment and Abuse**
  Behave respectfully to the personality of all the employees and not to implement any corporal punishments, not to let verbal, physical or psychological coercion or harassment of any kind.

- **Working Hours**
  To comply with laws and regulations controlling working hours and seek consensus of the worker for overtime.

- **Compensation and Benefits**
  To respect normal or overtime working wages and social benefits described in laws, regulations or in collective bargaining agreement.

- **Environment**
  To follow the current environment laws and to prevent environmental pollution based on environmental aspect & impact analysis, reduce pollution at source.

- **Customs Compliance**
  To respect all local and international Customs Laws and to adopt programs that will ensure these laws are respected and prevent any illegal materials to be transported.

- **Security**
  To ensure that no materials (drugs, explosives, biological substances or illegal goods) that may violate security are included in transboundary shipments.

- **Supplier / Sub-contractor Relations**
  To evaluate social compliance activities of its suppliers, to monitor evaluation results with action plans and gradually increase their social compliance level.

- **Management System**
  To implement, maintain and continually improve the social compliance, health and safety and environmental management activities under a framework of a management system which is composed of laws and regulations in force, customer codes and SA 8000 Management System Standard.

Effective Date: 02/08/2004
Revision No: 03
Revision Date: 28/05/2011
Appendix D

PREAMBLE

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

Whereas it is essential to promote the development of friendly relations between nations,

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom,

Whereas Member States have pledged themselves to achieve, in co-operation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

Whereas a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, Therefore THE GENERAL ASSEMBLY proclaims THIS UNIVERSAL DECLARATION OF HUMAN RIGHTS as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

Article 1.

• All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Article 2.
• Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3.
• Everyone has the right to life, liberty and security of person.

Article 4.
• No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

Article 5.
• No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment. Article 6.
• Everyone has the right to recognition everywhere as a person before the law.

Article 7.
• All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

Article 8.
• Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

Article 9.
• No one shall be subjected to arbitrary arrest, detention or exile.

Article 10.
• Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

Article 11.
• (1) Everyone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.

• (2) No one shall be held guilty of any penal offence on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

Article 12.

• No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.

Article 13.

• (1) Everyone has the right to freedom of movement and residence within the borders of each state.

• (2) Everyone has the right to leave any country, including his own, and to return to his country.

Article 14.

• (1) Everyone has the right to seek and to enjoy in other countries asylum from persecution.

• (2) This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

Article 15.

• (1) Everyone has the right to a nationality.

• (2) No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

Article 16.

• (1) Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.

• (2) Marriage shall be entered into only with the free and full consent of the intending spouses.
• (3) The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

Article 17.

• (1) Everyone has the right to own property alone as well as in association with others.
• (2) No one shall be arbitrarily deprived of his property.

Article 18.

• Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19.

• Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Article 20.

• (1) Everyone has the right to freedom of peaceful assembly and association.
• (2) No one may be compelled to belong to an association.

Article 21.

• (1) Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.
• (2) Everyone has the right of equal access to public service in his country.
• (3) The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

Article 22.

• Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 23.
• (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
• (2) Everyone, without any discrimination, has the right to equal pay for equal work.
• (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
• (4) Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24.

• Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25.

• (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
• (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Article 26.

• (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
• (2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
• (3) Parents have a prior right to choose the kind of education that shall be given to their children.

Article 27.
• (1) Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.
• (2) Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

Article 28.

• Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

Article 29.

• (1) Everyone has duties to the community in which alone the free and full development of his personality is possible.
• (2) In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.
• (3) These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

Article 30.

• Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein