The social responsibility of retailers and small and medium suppliers in international supply chains

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1. Introduction

In the last two decades, economic development has increased firms’ opportunities to achieve their economic goals, without consideration to ethical and social values. As a result, in most countries, an increasing independence of products, capital and labor markets has been permitted to maximize profits, in turn, weakening the introduction of an internationally accepted rules system.

In Europe, this phenomenon has encouraged an endogenous response from society, with the emergence of new needs, for a more balanced process in creating value. Above all, more-educated and conscious consumers are expressing their need for more transparency in production processes and supply chain operations. This issue has been investigated in many studies (Dagnoli, 1991; Shaw and Clarke, 1999; Shaw and Shui, 2001; Caselli, 2003; Maignan and Ferrel, 2004; Sciarelli, 2007).

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

(*) This article is the result of a common research activity between the authors. Nevertheless, single sections can be attributed as follows: Sections 1 and 2 are attributed to Fabio Musso, Sections 3 and 4 to Mario Risso and Sections 5 and 6 to all three authors.
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how production systems impact the environment and economic growth of the local communities along the entire supply chain (Strong, 1996; Shaw and Clarke, 1998, Harrison et al., 2005).

As consumers are becoming more responsive to ethical behaviors, they are also more aware of product evaluations (Macchiette and Roy, 1994; Hemingway and Maclagan, 2004) and their motivations are increasingly related to the need of personal and social benefits (Freestone and McGoldrick, 2008). Consequently, companies are becoming more ethical and socially responsible, by developing methodologies and tools linked to Corporate Social Responsibility (CSR) initiatives.

The literature illustrated a positive correlation between CSR policies and business performance (Balabanis et al., 1998; Beurden and Gössling, 2008).

Recently, the importance of CSR has increased in all economic sectors, including retailing. In this sector, large international retailers are investing relevant resources to cope with consumers’ ethical needs (Whysall, 2000; Pepe, 2003; Jones et al., 2005). Key international retailers have begun to offer ethical products, and thereby, consolidate their approach to CSR through assortments related to sustainable development, fairness, and the distribution of value among all subjects within the supply chain.

Consumers seem to be less critical of retailers, than they are of large manufacturers. In many cases, they perceive retailers as only partially responsible for the activities along the supply chain of products and tend to reserve more trust toward retailers’ behaviors. Nevertheless, some retailers are becoming known as socially irresponsible companies, such as Wal-Mart (De Man, 2005; Wilson, 2005) and Benetton, with the latter being accused of child exploitation in Turkey in 1998 (Body et al., 2005). At the same time, the low level of public awareness of CSR initiatives has illustrated the challenge that companies face in building a positive reputation. Companies that identify themselves as CSR leaders will enhance their reputation (De Man, 2005).

Retailers are often channel leaders and can control various activities in the supply chain. As a result, they appear more capable of adopting active roles in sustaining and leading international supply chains following a CSR approach. The most innovative retailers have capitalized on this opportunity and have managed
their assortments and marketing policies by considering the extra-economic values in all the activities of supply chain partners.

This article offers an overview of the main drivers of CSR initiatives in which large retailers are leaders. A multiple perspective is adopted in the analysis of the large retailers’ role, by considering the point of view of the different players involved in CSR international supply chains: manufacturing suppliers, in particular small-medium enterprises (SMEs) in the food sector, Fair Trade organizations, cooperatives and producers associations from developing countries, importers of fair trade products, fair-finance operators. The large retailers’ view has also been considered.

Among the perspectives to be analyzed, the one of SMEs in the food sector is particularly relevant, as it can illustrate the main strategies and policies adopted by retailers in managing CSR issues.

The analysis has been based on a qualitative and quantitative empirical research. The primary objective of the analysis was to identify the key CSR issues along the large retailers-led supply chain.

The qualitative phase was addressed to investigate behaviours and motivations of large retailers identifying the main drivers and contents of their CSR initiatives.

The quantitative phase focused on the grade of diffusion of CSR practices among SME manufacturers and the main factors influencing retailer-suppliers relationships within a retailer’s CSR approach. For the quantitative survey, the literature on key issues related to retailer-led channel relationships was considered (Bailly, 1987; Davidson, Sweeney and Stampfl, 1988; Shuch, 1988; Packard, Winters and Axelrod, 1996; Musso, 1999).

The quantitative survey regarded Italian small and medium sized manufacturers in the agro-food sector that were involved as suppliers in international supply chains led by large retailers. The choice of the food sector was due to the more sensitive ethical consumer issues. These issues require retailers to place priority in the adoption of CSR practices within such products.

2. CSR, traceability and international supply chains

CSR has recently become a new corporate buzzword, as well as an emerging field of competition among companies. CSR
is an enlarged concept of responsibility, depending on a general evolution of “values” linked to the relationship between a business organization and its environment. For companies, this means responsibility to consumers, versus that of its shareholders, with the latter also related to the maximization of profit and assets.

In the literature, several studies have been concerned with corporate ethics and corporate responsibilities. Some of them investigated the importance of ethics in the purchasing and selling activities of industrial companies (Redelius and Bucholz, 1979; Dubinsky and Gwinn, 1981; Trawick et al., 1988; Wood, 1995). However, few studies have explored the importance of ethics in the buyer-seller relationships of retailer companies (Dickerson and Dalecki, 1991; Arbuthnot, 1997; Musso, 1999).

More recently, the boundaries of the classic concept of business ethics have enlarged, entering the wider realm of CSR and sustainable development. Indeed, the expression “sustainable development” synthesizes the three dimensions of the problem: the safeguarding of the environment, the respect for human rights, and the fairness in the redistribution of value among all subjects of the supply chain.

Many authors have also focused on CSR within supply chains, primarily in relation to industrial, multinational corporations. Many of the corporations of interest were leaders of wide and complex supply chains (Carter, 2000; Park and Stoel, 2005; Mamic, 2005; Maloni and Brown, 2006; Amaeshi et al., 2008; Gonzalez-Padron et al., 2008). Some contributions have considered CSR in the national and international marketing activities of retail companies (Nicholls, 2002; Pepe, 2003; Jones et al., 2005; Risso, 2007).

In regard to CSR, the supply chain represents a focal point to adopt strategies related to the concept of responsibility and evaluate them. Indeed, in those supply chains where it is necessary to manage all processes and relationships under the coordination of a channel leader, it is significant to understand the specific role of each player and the general action conducted by all supply chain members. In particular, the retailer’s role becomes relevant when its large dimension and its capability to influence consumer choices bring it to a position of a channel leader. Large retailers can play a predominant role in controlling the sustainability of both the production and distribution processes
of their products. They frequently become guarantors of the entire value chains, particularly those of their own brand products that directly reflect their corporate image. As retailers are close to consumers and obtain information about them, they also have the ability to better understand the final demand and activate retail marketing tools based on local needs, as well as extra-economic needs. In this way, retailers are the first to face requests from consumers for more ethical and responsible approaches to managing products. At the same time, they are able to play an active role in influencing consumer behaviors toward ethical and social issues.

The increasing consumers’ sensitiveness to the concept of sustainability has encouraged innovative retailers, particularly those from advanced countries within Europe (mostly in the United Kingdom), to adopt a CSR for managing their assortments (Freestone and McGoldrick, 2008). The retailers’ involvement in ethical issues began in the 1990s, with organic products and Fair Trade food assortments. These CSR principles were then applied to beauty, personal care, handmade and clothing products (Balabanis, Phillips and Lyall, 1998; Harrison, Newholm and Shaw, 2005). In other sectors, operators also developed dedicated financial services (ethical and ecological funds) and eco-tourism initiatives.

By the adoption of CSR in managing assortments and related supply chains, retailers can more quickly and effectively, achieve the following goals:

– market differentiation (Piacentini et al., 2000);
– enhanced word-of-mouth and the reduction of expensive marketing investments (Pepe, 2007);
– customer and worker loyalty (Pepe, 2003);
– eligibility for inclusion into a stock-market index that includes only those companies deemed to be socially responsible.

CSR policies have strategic and organizational implications within internal processes, but the CSR also requires paying attention to the behaviors of all partners involved in the product supply chain, especially those of the own brand products. Food-retailers insert CSR principles in the supply chain into the following ways:
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- modifying and improving relationships with suppliers;
- exerting control, and in some cases, adopting vertical integration strategies;
- cooperating with existing CSR based supply chains (mainly for organic and Fair Trade products).

According to this approach that is recommended to be followed by retailers, *traceability*, means the ability to track any food, feed, food-producing animal or substance used for consumption through all stages of production, processing and distribution, becomes an important control tool.

Traceability is linked to a legal framework and is a way of facing potential risks that can arise in the food production and logistic processes to ensure that all food products in the European Union (EU) are safe (reg. UE 178/2002, D. CEE 2001/18, Dir. CEE 1760/2000, d.lgs. 155/97). In addition, traceability permits targeted withdrawals and the provision of accurate information to the public, thereby controlling each partner in the products supply chain. In particular, traceability systems are a technical tool to monitor each step of the supply chain, a managerial system to reduce costs, and an intervention system, in cases of non-compliance.

Traceability issues are more critical in international supply chains and relationships with SME suppliers. In international supply chains, there are two main reasons for this: the first is related to the need of warranties on the quality of products coming from countries with different legal frameworks, therefore focusing on product safety and the use of chemical components; the second concerns labor conditions that apply to employees in less-developed countries, the fair distribution of value among suppliers and the environmental impact of the production processes.

In regard to relationships with SME suppliers, there are some critical aspects to consider. In particular, it is very hard for SMEs to respect CSR policies. There are many reasons for this (Grayson and Dodd, 2007):

- the application of conduct codes can be excessively onerous (in reality, or as perceived by the firms);
- SMEs may have less of a direct advantage in CSR policies;
- SMEs have less time and fewer resources to invest in CSR policies.
processes, with more immediate business priorities;
– knowledge of CSR practices is limited and there are problems in training human resources;
and
– external supports to firms are inadequate.

Recent studies have argued that for SMEs, CSR activity is more difficult, because entrepreneurs do not have the experience to help them to evaluate and manage key factors for CSR (Murillo and Lozano, 2006a; 2006b; Lepotre and Heene, 2006; Williamson et al., 2006). Despite such difficulties, large retailers are increasing their standards of safety, security, environmental sustainability and working conditions in the supply chains. In addition, SME suppliers must respect large corporation wishes to maintain relationships (Musso, 1999; Grayson and Dodd, 2007; Pepe, 2007; Pepe et al., 2008).

3. Empirical research and methodology

To investigate the CSR approach within retailer-led supply chains, qualitative and quantitative research was conducted.

In 2006/2007, qualitative research was conducted via 28 semi-structured interviews with managers of retail companies, importers, food manufacturers, and farmers’ cooperatives from the Southern hemisphere, licensed manufacturers of Fair Trade and organic products, Fair Trade Certification and labeling operators and ethical bankers.\(^1\) The aim of the interviews was to identify the main drivers and contents of CSR initiatives among the involved actors. Results of the qualitative interviews were

\(^1\) In particular, the interviews addressed:
– cooperatives of producers from 4 less developed countries: 6 interviews to cooperatives of Bangladesh, Chile, the Philippines and Sri-Lanka;
– large grocery retailers: 7 interviews with leading retailers from France (Auchan, Carrefour, and Casino), the UK (Marks & Spencer), and Italy (Coop and Coop Italia);
– organic or Fair Trade certified manufacturers: 3 interviews with Italian operators Alcennero/Mielizia, Spreafico;
– manufacturers (coffee, cocoa and fresh fruits): 4 interviews to Italian firms Lavazza, Icam, Comitato Italiano Caffé, Perviani);
– Alternative Trade Organizations: 4 interviews with Italian operators CTM, Equoland;
– Fair Trade certification institutions: 3 interviews with Max Havelaar France, Transfair Italia;
– ethical bankers: 1 interview with Etimos, Italy.
used to construct the hypothesis to be verified via the quantitative survey. In addition, a desk analysis of retailers’ company reports and CSR reports was conducted to compare and complete the information basis.

In 2008, quantitative study was conducted to increase our understanding of SME manufacturers in their relationships with large retailers. The quantitative study focused on the food sector, as a sector in which traceability, supplier’s coordination and suppliers control are critical to ensure the development of ethical supply chains.

In the quantitative survey, a questionnaire was addressed to SME manufacturers to investigate the primary factors influencing retailer-supplier relationships in those cases in which CSR policies by large retailers are adopted. Data were collected through telephone interviews with 89 Italian SME manufacturers in the food sector (Tab. 1)(2).

The 89 interviewed SMEs were part of a panel used in an earlier study (Pepe et al., 2008).

Interviews were conducted with entrepreneurs, sales managers and marketing managers.

<table>
<thead>
<tr>
<th>N. Food SMEs</th>
<th>N. of firms interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporter</td>
<td>81</td>
</tr>
<tr>
<td>Suppliers of large retailers</td>
<td>89</td>
</tr>
<tr>
<td>– Italian retailers only</td>
<td>45</td>
</tr>
<tr>
<td>– International retailer only</td>
<td>3</td>
</tr>
<tr>
<td>– Both national and international retailer</td>
<td>41</td>
</tr>
<tr>
<td>Geographic area:</td>
<td></td>
</tr>
<tr>
<td>North Italy</td>
<td>33</td>
</tr>
<tr>
<td>Center Italy</td>
<td>26</td>
</tr>
<tr>
<td>South Italy</td>
<td>30</td>
</tr>
</tbody>
</table>

(2) The panel was composed of 46% firms with overall turnover of less than 5 million euro, 18% with turnover between 5 and 10 million, 9% from 10 to 20 million, 10.1% from 20 to 40 million, 5.6% from 40 to 60 million, and 11.2% over 60 million. 87.6% of firms in the panel were exporters, among them, 71% had an export turnover of less than 5 million. 59.9% of the panel had less than 30 employees, 15.7% from 30 to 50 employees, 10.1% from 51 to 100, and 14.6% had over 100 employees.
The questionnaire for the quantitative survey focused on general issues related to supply relationships and specific issues with the CSR. General issues were divided in three main categories: market dynamics, export strategies and relationships with large retailers. The CSR section related to the awareness of CSR phenomena, CSR implications in business processes, CSR tools and instruments.

Among the 89 enterprises interviewed for the quantitative survey, 30 responded to the section regarding CSR. To extend the sample, in 2009, the relevant questions on CSR, were re-submitted to the 59 firms that did not answer the CSR section. 29 of them provided information on the policies they adopted, while 30 confirmed they did not adopt any CSR initiative. As a result, the total number of usable questionnaires for the CSR related issues analysis rose from 30 to 59.

The questionnaire was planned on the basis of three research questions that emerged from the results of qualitative interviews.

The first research question referred to the importance of the CSR in functional areas of the firm and in relationships with large suppliers:

RQ 1: What is the grade of diffusion of the CSR practices among SME manufacturers in the food sector.

The second research question was related to the aims of the CSR activities for firms. In particular, it comprised of: factors that stimulate firms to adopt CSR activities, requirements to manufacturers from large retailers, expected characteristics of CSR systems, and guidelines for CSR activities.

RQ 2: How spontaneous were choices to adopt CSR activities, and what subjects/needs did they address.

The third research question focused on the systems used to manage CSR activities (e.g., quality control and traceability of products, environmental rules, security, and ethical codes). In particular, it was directed to verify whether CSR activities were developed through formal practices or through an informal approach to ethical behaviors.

RQ 3: How formal/informal was the approach to CSR practices.
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All research questions were analyzed together with some linked variables: firm size, weight of sales to large retailers on turnover, degree of internationalization, and age of the firm. The questionnaire was semi-structured with items referring to the previously mentioned research questions. A five-point Likert scale was used for the evaluation of single items (1 = low importance to 5 = high importance). Responses to open ended questions were classified and a dichotomous scale of 0/1 (0 not relevant, 1 totally relevant) was used for each item. The measurement instrument was developed using a combination of existing scales. Data analysis was conducted by a SPSS statistical tool.

4. Results

Large retailers’ attitude towards CSR

As a result of the qualitative study, it was possible to extrapolate the key issues related to the large retailers’ approach to CSR within supply chains. The analysis that follows is the result of the multiple perspectives considered, according to what was reported by the operators interviewed. Interviews were conducted focusing on the following topics, as primary indicators of the presence of CSR policies for a retailer’s supply chain management: relationships with suppliers, adoption of conduct codes, organizational assets, and Fair Trade products.

Referring to retailers, the majority of those interviewed reported that CSR initiatives were considered a “product” targeted to those consumers asking for products that incorporate “sustainable development values”. Therefore, the retailers’ approach to CSR focused on relationships with suppliers. Many of the retailers had adopted CSR reports as a certification of their responsible behaviors towards manufacturers, in particular, referring to labor conditions and environment. More recently, some key retailers had settled behavior codes regarding labor safety and the environment, including attention to the social environment, in which they and their suppliers, including those from the South\(^{(1)}\), operate. Many of these retailers also adopted international standard codes to control suppliers and their manufacturing processes (standards: ISO 14000 and SA 8000).
Those corporations more active among retailers were promoting activities in cooperation with non-governmental organizations (NGO), philanthropic organizations and East Asian countries’ local authorities. For instance, companies like H&M (agreements with the United Nations, Unicef, Amnesty Business Group, Water Aid and the Fair Labor Association) and Carrefour (an agreement with the FIDH - Fédération Internationale des Droits de l’Homme) report of acting in this direction. From 2004 to 2006, Carrefour conducted a pilot study aimed at creating conditions to guarantee human rights being respected inside the factories of their Bangladesh suppliers. This project involved several local authorities. On the basis of the results, a three-year training program began in 2007, addressing the employees of the Bangladesh and Pakistan suppliers.

The more innovative retailers are promoting joint activities to stimulate homogeneous criteria for social and environmental sustainability. In this case, a special role was played by CIES (Comité International d’Entreprises à Succursales – International Committee of Food Retail Chains), an independent network that brings together the CEOs and senior management of approximately 400 retailers and manufacturers in the food sector across 150 countries. The mission of the CIES is to provide a platform for knowledge-exchange, thought-leadership, networking, and to facilitate the development of common tools regarding key strategic and practical issues that affect the supply chains. In 2007, CIES began the Global Social Compliance Programme (GSCP), designed to harmonize companies’ efforts to deliver a shared, consistent and global approach for the improvement of working conditions in global supply chains. GSCP offers a global platform to promote knowledge exchange and best practices to build comparability and transparency between existing systems, whether they are individual or collaborative. Major retailers, such as Wal-Mart, Carrefour, Tesco, Migros, Metro, and branded manufacturers, such as Dole, Chiquita, Hasbro, HP, have joined the GSCP.

Many retailers are actually responding to consumers’ emerging awareness on social values and the environmental impact of

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(3) This was also confirmed by other researches (see Roberts, 2003; Logsdon, Wood, 2005).
industrial processes by listing in their assortments an increasing number of products coming from alternative trade systems, such as Fair Trade organizations\(^4\). In some cases, as both retailers and Fair Trade organizations that have been interviewed reported, commitment to social responsibility is expressed by retailers through agreements with Fair Trade organizations or by directly organizing supply chains that are accepted and certified by Fair Trade organizations. Sometimes, large retailers can self-certify the social responsibility standard of the supply chain for some of the product lines within their assortments. In this case, they would count on the strong reputation of their fascia and their capability to effectively control the entire supply chain, usually at the international level. Primary examples of such strategies come from Marks & Spencer, Coop Italia, Tesco, and, more recently, Carrefour.

Fair trade products are not necessarily new, as retailers can modify an existing product line or operate a line extension, with the introduction of Fair Trade products alongside their usual assortments. As it emerged from the interviews, this solution was increasingly adopted by large retailers that introduced their own labels of Fair Trade products, both in the food and non-food sectors.

In most cases, introducing new Fair Trade products was less expensive than converting existing supply chains to Fair Trade principles. When retailers develop Fair Trade product lines, they place most of their investments in projecting, organizing and coordinating the supply chains. They also build a proper unit inside their organization. For instance, managers from the

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\(^4\) At the moment, Fair Trade can be considered an alternative distribution organization at the international level. According to FINE, an informal association of the four main international Fair Trade networks (F is for Fairtrade Labeling Organizations International (FLO); I is for the International Fair Trade Association, now the World Fair Trade Organization (WFTO), N is for the Network of European Worldshops (NEWS); E is for European Fair Trade Association (EFTA)), it can be considered a “trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade.” Fair Trade contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and employees – especially in South of the World. Fair Trade Organizations, backed by consumers, are actively engaged in supporting producers, raising awareness and in campaigning for changes on the rules and practice of conventional international trade. See also: Becchetti, Paganetto, 2003; Pepe, 2007.
French retailers stated that joint initiatives with NGOs and other local institutions required an increased involvement by retailers in developing countries operations. Retailers can organize the proper structure with a CSR manager by maintaining contact with the non-governmental organizations and other institutions involved, as well as with auditing companies that ensured the control over the suppliers. The same organizational structure was also involved in promoting CSR principles inside the retailer’s internal organization.

Specific organizational structures were also necessary for managing their own brand of Fair Trade products. Two types of solutions were typically adopted by the interviewed retailers: in the case of products with an economic role (that is, with the objective of increasing sales or profitability) there was a direct responsibility of the category manager; in the case of products with a more “ethical” role (to provide consumers with a message of high social responsibility, but also with lower prices and lower profits) there was a staff structure that supported buying, merchandising and communication activities related to the ethical sub-brand, as it usually occurs for existing organic and “green” private labels. In the case of new products coming directly from Fair Trade supply chains, a specific team can be devised to manage supply relationships.

Managing ethical and Fair Trade products can also enable retailers to modify their existing relationships with their smaller suppliers at the international level; shorter supply chains can be organized, compared to traditional ones in which international trade organizations have a relevant role. In this case, the more direct the relationships, the better control small producers have, and, at the same time, the more profits they can obtain.

Retailers CSR approach by the SME manufacturers’ perspective

Results from the quantitative study were analyzed with a cluster analysis to identify the specific categories of manufacturers inside the sample, as the results of the empirical study illustrated a prevalence of inhomogeneous behaviors. K-Mean methodology was applied, which allowed a minimized inertia within single groups and between clusters. The number of the singled-out cluster was 3 that resulted after a series of tests that revealed it to be the value that returns the clearest differences.
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The variables used to divide the sample into more homogeneous groups included: overall turnover, export turnover, importance of national large retailers as customers of the manufacturer (as a % of turnover) and the importance of international large retailers as customers of the manufacturer (as a % of turnover). Tab. 2 illustrates the variables that contributed to defining the clusters within the sample. F-test revealed that turnover, the importance of national retailers in turnover, and the importance of international retailers in turnover were the more significant variables.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Error</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean Square</td>
<td>df</td>
<td>Mean Square</td>
</tr>
<tr>
<td>Turnover</td>
<td>16,916</td>
<td>2</td>
<td>2,770</td>
</tr>
<tr>
<td>Export turnover</td>
<td>4,275</td>
<td>2</td>
<td>1,807</td>
</tr>
<tr>
<td>Importance of</td>
<td>23797,128</td>
<td>2</td>
<td>208,918</td>
</tr>
<tr>
<td>national large retailers</td>
<td>6682,549</td>
<td>2</td>
<td>73,808</td>
</tr>
</tbody>
</table>

F-tests should only be used for descriptive purposes here, because the clusters were chosen to maximize the differences between the cases in the different clusters. The observed significance levels were not corrected for this, and thus, cannot be interpreted as tests of the hypothesis that the cluster means are equal.

Differences in the means between clusters were due to the variance in responses and to the different consistencies of the single clusters (Tab. 3).

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Number of interviews</th>
<th>Number of answers received on the CSR section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>51</td>
<td>29</td>
</tr>
<tr>
<td>3</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Total interviews</td>
<td>89</td>
<td>59</td>
</tr>
</tbody>
</table>
Cluster 2 was more numerous, with 51 respondents that answered the questionnaire. Among them, 29 responded to the CSR section of the questionnaire. Cluster 1 had 24 units with 16 people that responded to the CSR section, while Cluster 3 had 14 units, where all people responded to CSR section. The respondents in Clusters 1 and 3 were more interested in responding to the CSR section. Indeed, 100% of the firms in Cluster 3 responded to the CSR section, with 2/3 of the respondents in Cluster 1 and 56.8% in Cluster 2.

Data on the importance of large retailers in turnover was not available from all the manufacturers. Considering their insignificant number, missing values were treated as with the option “exclude cases pairwise” that permits the assignment of single cases based on the distances from the variables without missing values.

In Cluster 1, turnovers revealed an average value between 10 and 20 million euros, export turnover had an average value between 5 and 10 million euros, sales to national large retailers had an average weight of 71.45% (Tab. 4), and sales to internationally large retailers had an average weight of 4.78%. In Cluster 2, average turnover was between 5 and 10 million euros, the same as export turnover; sales to national large retailers had an average weight of 15.51%, and sales to internationally large retailers had an average weight of 5.7%. Cluster 3 showed an average turnover between 21 and 40 million euros, an export turnover between 5 and 10 million euros, sales to national large retailers had an average weight of 27.25%, and sales to internationally large retailers had a weight of 35.2%.

The three clusters were differentiated from each other mainly by overall turnover and weight of large retailers (both national and international). Cluster 1 had a distinctively higher weight of national large retailers on turnover and a lower weight of international retailers. Manufacturers in Cluster 1 were mainly between 10 and 20 million in terms of overall turnover. Cluster 2 was characterized by fewer sales to large retailers and a smaller size of firms than Cluster 1 (mean of 5-10 million turnover). In Cluster 3, firm size was higher (mean of 20-40 million turnover) and large retailers were more important to turnover, particularly international retailers (35.2% on total turnover) as compared to Italian ones (27.25%).
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As far as RQ 1 was concerned (which is the grade of diffusion of CSR practices among SME manufacturers in the food sector), Tab. 5 illustrates the importance attributed to such factors by distinct firm areas. Evaluation on importance of CSR practices was asked in a Likert scale from 1 (low importance) to 5 (high importance). Means and standard deviations were calculated for each of the three clusters of firms. In Tab. 6, an indication on the initiatives conducted by the manufacturers in the same areas is illustrated. Rates vary from 0 (no activities) to 1 (activities conducted). Means and standard deviations were calculated for each cluster.

All enterprises considered quality products, traceability, labor conditions and bi-directional communication with consumers as fundamental issues. Less importance was given to support to the local community and to the development of practices for corruption contrasting. Comparing evaluations on the importance of CSR and the initiatives conducted, a consistent approach to CSR development emerged regarding all internal and external fields considered. Cluster 3 results revealed a more active support to the local community and to corruption contrasting activities compared to the other clusters. However, these two factors were considered less important than others.

Referring to RQ 2 (how choices to adopt CSR initiatives were spontaneous and what subjects/needs did they address), results revealed that firms aimed at protecting themselves from potentially negative effects (in terms of company image) that result from malfunctions in CSR related fields. In Tab. 7, rates were given on a dichotomic scale 0/1 (0 no influence, 1 influence). The CSR was developed by firms after requests from large retailers and consumers. In this way, product assortments can be perceived as more valuable. Less importance in terms of influencing factors was attributed to relationships with supply chain partners and to internal relationships.
Table 5. Manufacturers’ evaluation on importance of CSR practices by clusters of business activities and relationships

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Product quality and traceability</th>
<th>Labor conditions</th>
<th>Communication (bi-directional) to consumers</th>
<th>Environmental impact of production</th>
<th>Ethical standards</th>
<th>Regular and complete information on products</th>
<th>Support to local community development</th>
<th>Practices for corruption contrasting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>4.38</td>
<td>4.25</td>
<td>4.31</td>
<td>4.06</td>
<td>4.25</td>
<td>3.69</td>
<td>3.25</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.50</td>
<td>0.86</td>
<td>0.60</td>
<td>0.85</td>
<td>0.45</td>
<td>0.79</td>
<td>1.57</td>
</tr>
<tr>
<td>2</td>
<td>Mean</td>
<td>4.76</td>
<td>4.59</td>
<td>4.03</td>
<td>3.79</td>
<td>3.83</td>
<td>3.48</td>
<td>2.86</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.58</td>
<td>0.68</td>
<td>1.35</td>
<td>1.26</td>
<td>1.36</td>
<td>1.27</td>
<td>1.19</td>
</tr>
<tr>
<td>3</td>
<td>Mean</td>
<td>4.93</td>
<td>4.57</td>
<td>4.64</td>
<td>4.86</td>
<td>4.43</td>
<td>4.29</td>
<td>4.36</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.27</td>
<td>0.51</td>
<td>0.63</td>
<td>0.36</td>
<td>0.85</td>
<td>0.73</td>
<td>0.74</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>4.69</td>
<td>4.49</td>
<td>4.25</td>
<td>4.12</td>
<td>4.08</td>
<td>3.73</td>
<td>3.32</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.53</td>
<td>0.70</td>
<td>1.06</td>
<td>1.08</td>
<td>1.09</td>
<td>1.08</td>
<td>1.34</td>
</tr>
</tbody>
</table>

Table 6. Initiatives conducted for CSR development by clusters of business activities and relationships

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Product quality and traceability</th>
<th>Labor conditions</th>
<th>Communication (bi-directional) to consumers</th>
<th>Environmental impact of production</th>
<th>Ethical standards</th>
<th>Regular and complete information on products</th>
<th>Support to local community development</th>
<th>Practices for corruption contrasting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>0.88</td>
<td>0.75</td>
<td>0.81</td>
<td>0.50</td>
<td>0.69</td>
<td>0.38</td>
<td>0.31</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.34</td>
<td>0.45</td>
<td>0.40</td>
<td>0.52</td>
<td>0.48</td>
<td>0.50</td>
<td>0.48</td>
</tr>
<tr>
<td>2</td>
<td>Mean</td>
<td>0.76</td>
<td>0.72</td>
<td>0.66</td>
<td>0.55</td>
<td>0.41</td>
<td>0.28</td>
<td>0.21</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.44</td>
<td>0.45</td>
<td>0.48</td>
<td>0.51</td>
<td>0.50</td>
<td>0.45</td>
<td>0.41</td>
</tr>
<tr>
<td>3</td>
<td>Mean</td>
<td>0.93</td>
<td>0.79</td>
<td>0.71</td>
<td>0.86</td>
<td>0.79</td>
<td>0.86</td>
<td>0.57</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.27</td>
<td>0.43</td>
<td>0.47</td>
<td>0.36</td>
<td>0.43</td>
<td>0.36</td>
<td>0.51</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>0.83</td>
<td>0.75</td>
<td>0.71</td>
<td>0.61</td>
<td>0.58</td>
<td>0.44</td>
<td>0.32</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0.38</td>
<td>0.44</td>
<td>0.46</td>
<td>0.49</td>
<td>0.50</td>
<td>0.50</td>
<td>0.47</td>
</tr>
</tbody>
</table>
As evidenced by Cluster 3, regarding larger-sized firms, more importance was given to reasons related to brand image construction and protection, as well as to the need to respond to consumers’ requirements. On the opposite side, the response to large retailer requirements was indicated as no more a primary reason because relationships with large retailers are in most cases well developed by Cluster 3’s firms. Hence, they don’t need to increase CSR involvement as a tool to better develop relationships with large retailers.

Table 7. Reasons that stimulate firms to adopt CSR initiatives and activities

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Brand image construction and protection</th>
<th>Requirements from large retailers</th>
<th>Requirements from consumers</th>
<th>Increasing product offer value “Ethical value”</th>
<th>Equalization with supply chain partners</th>
<th>Internal relationships improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>0,88</td>
<td>0,75</td>
<td>0,81</td>
<td>0,50</td>
<td>0,69</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0,34</td>
<td>0,45</td>
<td>0,40</td>
<td>0,52</td>
<td>0,48</td>
</tr>
<tr>
<td>2</td>
<td>Mean</td>
<td>0,76</td>
<td>0,72</td>
<td>0,66</td>
<td>0,55</td>
<td>0,41</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0,44</td>
<td>0,45</td>
<td>0,48</td>
<td>0,51</td>
<td>0,50</td>
</tr>
<tr>
<td>3</td>
<td>Mean</td>
<td>0,93</td>
<td>0,79</td>
<td>0,71</td>
<td>0,86</td>
<td>0,79</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0,27</td>
<td>0,43</td>
<td>0,47</td>
<td>0,36</td>
<td>0,43</td>
</tr>
<tr>
<td>Total</td>
<td>Mean</td>
<td>0,83</td>
<td>0,75</td>
<td>0,71</td>
<td>0,61</td>
<td>0,58</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>0,38</td>
<td>0,44</td>
<td>0,46</td>
<td>0,49</td>
<td>0,50</td>
</tr>
</tbody>
</table>

Confirmation of this comes from Tab. 8, where firms’ awareness regarding large retailers’ requirements is analyzed in a Likert scale (1 = low, 5 = high) (all the 89 firms in the sample responded). Large retailers tend to require, at first, high levels of reliability from suppliers (total mean rate 4,59), as well as conformity to hygiene and security standards (4,57), and the quality levels of products and services offered (4,46). Price/value comes after such factors, with a rate of 4,31.
Cosetta Pepe | Fabio Musso | Mario Risso

Table 8. Requirements to manufacturers from large retailers*

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Quality levels of products and services offered</th>
<th>Quality/price (value) of product offer</th>
<th>Supplier reliability offer value</th>
<th>Conformity to hygiene and security standards</th>
<th>Reputation of supplier</th>
<th>Level of human resources of supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mean</td>
<td>4,42</td>
<td>4,29</td>
<td>4,67</td>
<td>4,63</td>
<td>3,92</td>
<td>3,79</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0,78</td>
<td>1,04</td>
<td>0,56</td>
<td>0,77</td>
<td>1,32</td>
<td>1,18</td>
</tr>
<tr>
<td>2 Mean</td>
<td>4,39</td>
<td>4,34</td>
<td>4,48</td>
<td>4,59</td>
<td>4,04</td>
<td>3,87</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1,06</td>
<td>0,92</td>
<td>0,76</td>
<td>0,96</td>
<td>1,24</td>
<td>1,31</td>
</tr>
<tr>
<td>3 Mean</td>
<td>4,79</td>
<td>4,21</td>
<td>4,86</td>
<td>4,43</td>
<td>3,50</td>
<td>3,08</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0,43</td>
<td>1,12</td>
<td>0,53</td>
<td>1,09</td>
<td>1,38</td>
<td>1,31</td>
</tr>
<tr>
<td>Total Mean</td>
<td>4,46</td>
<td>4,31</td>
<td>4,59</td>
<td>4,57</td>
<td>3,93</td>
<td>3,73</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0,91</td>
<td>0,98</td>
<td>0,69</td>
<td>0,92</td>
<td>1,28</td>
<td>1,28</td>
</tr>
</tbody>
</table>

* Responses from 89 manufacturers.

Tab. 9 synthesizes the main points that should characterize a CSR system, according to the perspective of the firms. In a dichotomic scale 0/1 (0 not relevant to the presence in a CSR system, 1 necessary to a CSR system), all the firms of the sample indicated a necessity of the presence of measures for continuous improvement of environment sustainability; most (mean 0,98) indicated that voluntary character is necessary, as well as the presence of results measurement. High importance emerged also as regard to quality and reliability of all business processes (not only manufacturing), independence from stakeholders, as well as the presence of public and institutional support. All these points received a mean indication between 0,90 and 0,69. The character of cost saving was recognized as not necessary by almost all the manufacturers (mean rate 0,36).

Larger firms and those more related to international large retailers (Cluster 3), ascribed major relevance to the voluntary character of CSR systems, and considered the presence of results measurement systems to be less necessary. Such firms, with a more advanced approach to management and control of business processes, tend to consider such points as not characterizing, as they are regularly part of management criteria. At the same time, all of them considered a voluntary nature as a necessary characteristic of CSR systems.
CSR activities were mainly addressed to consumers and large retailers, as most of the sample indicated in a 0/1 dichotomic rate (Tab. 10). Consumers received a mean rate of 0.94, while retailers 0.88. In addition, other stakeholders were frequently considered as addressees of CSR activities. Among them, there were employees and suppliers (respectively 0.83 and 0.76 rate), stockholders (0.74), local communities (0.68) and institutional subjects (0.68). Less important were trade unions (0.57). Firms of Cluster 3 revealed more attention placed to all stakeholders, including trade unions. Firms whose relationships with large retailers were more developed (Cluster 1 and 3) paid more attention to local communities.
Items regarding RQ 3 (how formal/informal is the approach to CSR practices) emphasized a general orientation towards the limited formalization of processes related to CSR (Tab. 11). In particular, formal models were widely adopted for quality and traceability management and for safety inside manufacturing plants. In the first case, orientation to control quality and technical efficiency prevailed, in the second, the choice was less voluntary: in most cases, formal rules were adopted according to laws on safety and health.

In regard to social, ecological and ethical values, less involvement in process formalization was revealed. Moreover, the smaller the size of the firm, the more informal was the approach.
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Distribuzione e logistica commerciale

All the interviewed firms, except for some smaller ones that were part of Cluster 2, adopted quality control and traceability certification systems (Tab. 12) that were typical in the food sector. Less use of standards emerged for environmental impact controls and for safety control systems inside industrial plants, with a mean indication of adoption in a dichotomic scale 0/1 of 0,68 and 0,43, respectively. Less use of certification standards was observed regarding social and ethical value management (mean 0,31), even if several firms with significant sales to large retailers, both national and international (Clusters 1 and 3), tended to adopt them more frequently.

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Quality and traceability management</th>
<th>Safety management inside plants</th>
<th>Management of environmental impact</th>
<th>Social and ethical values management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1,00</td>
<td>0,94</td>
<td>0,50</td>
<td>0,50</td>
</tr>
<tr>
<td>Std. Deviation</td>
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<td>0,25</td>
<td>0,52</td>
<td>0,52</td>
</tr>
<tr>
<td>Mean</td>
<td>0,96</td>
<td>1,00</td>
<td>0,61</td>
<td>0,39</td>
</tr>
<tr>
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<td>0,50</td>
<td>0,50</td>
</tr>
<tr>
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<td>1,00</td>
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<td>0,86</td>
</tr>
<tr>
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<td>0,00</td>
<td>0,50</td>
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<tr>
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<td>0,98</td>
<td>0,59</td>
<td>0,53</td>
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<td>0,13</td>
<td>0,50</td>
<td>0,50</td>
</tr>
</tbody>
</table>

Table 11. Formalization of processes for CSR improvement

<table>
<thead>
<tr>
<th>Cluster</th>
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<th>Management of environmental impact</th>
<th>Safety management inside plants</th>
<th>Social and ethical values management</th>
</tr>
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<tr>
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<td>0,20</td>
</tr>
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<td>0,50</td>
<td>0,42</td>
</tr>
<tr>
<td>Mean</td>
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<td>0,50</td>
<td>0,42</td>
<td>0,07</td>
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<td>0,50</td>
<td>0,26</td>
</tr>
<tr>
<td>Mean</td>
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<td>0,82</td>
<td>0,50</td>
<td>0,64</td>
</tr>
<tr>
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<td>0,40</td>
<td>0,52</td>
<td>0,50</td>
</tr>
<tr>
<td>Mean</td>
<td>0,96</td>
<td>0,68</td>
<td>0,43</td>
<td>0,31</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0,19</td>
<td>0,47</td>
<td>0,50</td>
<td>0,47</td>
</tr>
</tbody>
</table>

Table 12. Certification systems adopted in CSR areas
5. Discussion

It is beyond a doubt that, for retailers, fair trade criteria application considerably affects supply chain relations. CSR practices can influence the entire structure of the buying network, as well as the quality of the relationships among partners and their behaviors.

For smaller suppliers, the level of cooperation is increasingly important, as it contributes to long term relationships. A large retailers’ power is more often used, not to obtain better economic conditions (lower prices, longer payment terms), but more frequently to address smaller suppliers in improving their efficiency, innovation capability and organizational structure. What’s more, a cultural change is stimulated and a systemic approach tends to be followed more frequently. This also happens at the international level with the involvement of a variety of subjects that contribute with their competencies (in terms of logistics, finance, and certification) to increase the level of integration among supply chain partners, and local and international institutions. Non-economic subjects were more frequently involved in supporting the introduction of socially responsible principles in international sourcing.

In some cases, the introduction of CSR-related standards was just a window dressing tool to improve company images of consumers and stakeholders. In most cases, however, there was an effective impact on all procurement processes. The introduction of products related to Fair Trade principles allowed for the enforcement of the level of responsibility along the entire supply chain, involving all the subjects at different stages towards a higher degree of transparency and efficiency. In particular, the following points come out:

- emphasizing cooperative issues (stimulated or, in most cases, necessarily required by larger retailers), supported by the commitment to share knowledge, capabilities, information and innovation;
- attenuation of the hierarchic perspective in buying relationships and the reduction of margin-compression effects for smaller suppliers as a consequence of power imbalances; at the same time, more support is provided by retailers to SME manufacturers to evolve toward more efficiency and higher quality levels;
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- more space for shortening supply chains, more direct relationships between manufacturers and retailers, and consequently, more effectiveness within the network, cost savings, more rapid and adequate adjustments in the product offer by suppliers and in retailer assortments;
- more individually and socially respectful principles in all activities, including supply chain relationships, communication, logistics and service management;
- opportunities to pursue a relationship development model in which all involved subjects can benefit, including smaller partners inside the supply chains; among such partners there are, at the international level, farmers from developing countries.

As a consequence, all of these points support a virtuous circle that can be a stimulus for the strengthening of less unbalanced and more sustainable international supply chains, mostly where SME manufacturers are involved. The larger retailers’ role in sustaining CSR principles (in all the related fields) along the supply chain is fundamental. A wide awareness of CSR among SME manufacturers was observed. All CSR related activities were more frequently adopted by smaller manufacturers, wherein larger retailers placed a significant weight in their sales and when the retailer acted as a channel leader. In this case, retailers’ requirements for the adoption of CSR were a primary stimulus for structuring CSR activities and adopting specific standards.

In cases where large retailers were less relevant as customers for manufacturers, or where large retailers were less advanced (such is the observed case of national retailers for Italian manufacturers), CSR-related activities began to be adopted as well, but more informally and with less use of standards, formalized processes and certification systems (excluding those related to quality control and traceability, which are widely used in the food sector). For other SME manufacturers and those less involved in relationships with large retailers, CSR was not seen as necessary, as it is considered a possible field for the differentiation of market positioning.

In general, it is possible to state that a large retailers’ approach to CSR focuses on:

- developing traceability systems along the supply chain to gain accurate information and control at every stage. The objecti-
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...ve is product quality and safety improvements on the one side, and a transparent responsibility of all the supply chain partners on the other side. This result is consistent with previous literature in this field (Pepe, 2007);

- increasing the number of products bought from smaller suppliers at the national and international levels and developing stable relationships with them to make relationship specific investments possible;

- following a more CSR-sensitive perspective in all marketing activities to: enforce brand-mix identity with socially-ethical responsible characteristics; apply social, ethical and ecological principles to all key activities of retail business; and improve the company’s image in the consumers’ perceptions. Similar results emerged from recent studies (Risso, 2007; Gupta and Prirsch, 2008);

- expanding interaction areas, both at the national and international level, with local actors (both public and private) that could support the company in developing activities related to social, environmental and ethical issues.

6. Conclusions and implications for future research

The increasing diffusion of CSR principles among large retailers, particularly in the food sector, is stimulating a progressive change in the entire supply chains and their members, including smaller manufacturers and intermediaries. In the case of Fair Trade products, a typical area developing CSR, retailers supply chains were strongly influenced by retailer-led CSR initiatives. Such involvement of retailers increases with their own brand products, in which a retailers’ brand image was more directly associated to product characteristics in the consumer perception. This is a field in which global retailers are now basing a renewal of their image, acting in contrast with a negative reputation coming from their excessive power along their supply chains. In several cases, such power has been seen by consumers and stakeholders as a potential danger for more weak suppliers, such as those from Southern hemisphere and for the environment. Fair trade assortments, as well as organic products and “green” packaging, can be used by retailers as tools to enrich and diversify their offerings, propose new values and, at the same time, maintain power and control within the supply chain.
Consumer perceptions allow retailers to assume a central role as a guarantee for control over the safety, equality and ethically correct practices along the supply chain. The more consumers are aware of ethical and sustainability issues, the more retailers can play a coordinating role to ensure a transparent supply chain in which the value produced is equally distributed among all participating subjects. International retailers are quickly responding to this change, promoting initiatives as a result of increasing public demand for more sustainability in economic activities and trade. Small Italian manufacturers in the food sector have responded to such changes by adapting to the requirements of retailers. As the study emphasized, those more involved in relationships with large retailers have reached a higher level of consciousness in CSR relevance and, above all, are more capable of managing CSR activities by adopting standards and certification systems. Those with a lighter weight of large retailers in sales (they are also smaller) revealed a delay in adopting more advanced criteria for CSR management.

The analysis has pointed to some areas of research that can be further developed. A limited diffusion of systematic and structured systems for CSR emerged among firms that had not developed significant relationships with large retailers. Since retailers’ role is critical to stimulate a diffusion of CSR practices and culture among manufacturers, it is important to analyze these firms in more depth. Further research should deepen the motivations for retailers to develop CSR systems and to extend them to smaller suppliers in the supply chain, focusing on the expected advantages and disadvantages. Moreover, a comparative analysis should be conducted with the manufacturers of other EU countries to verify the similarities and differences, also considering the specific characteristics of the industrial structure of each country.

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