***Chapter 9 Summary Question Solutions***

1. Definitions: (definitions drawn from chapter 9 where possible)
   1. social responsibility: A business that acts with social responsibility takes ownership of their actions. They do not focus just on profit, but on contributing to the economic development and environmental protection of the whole community.
   2. ethics: Ethics are the moral principles that guide a person’s behaviour. A business that acts ethically does what it ‘right’.
   3. environmental sustainability: the ability of an ecosystem to maintain itself into the future; involves using the Earth’s resources at a rate they can be replenished.
2. Stakeholder pressure
   1. suppliers: The reputation of suppliers is tied to the businesses that they supply their inputs to. As a result, suppliers tend to prefer supplying to other businesses that demonstrate corporate social responsibility.
   2. investors: Increasingly, investors care about the story behind their investments. They are more aware of the fact that the money they invest directly contributes to the practices and processes of the institutions they invest in. The reputation of investors is therefore tied to their investments. Many investors do not want to support unethical businesses. Others do not want to be seen to be supporting unethical business practices. So, investors increasingly seek out investments in businesses demonstrating CSR.
   3. government: Governments can force businesses to improve their practices and processes by introducing laws and regulations that place legal obligations on businesses to behave in a particular way. For example, government regulations prohibit the sale and use of asbestos, a cancer causing building material. This product has been found to cause cancer in people exposed to it – including construction workers. This product must not be used at any time for any purpose.
   4. customers: Customers have become more aware of some of the key global CSR issues, like working conditions in garment factories in developing countries. As a result, customers increasingly care about the story behind the products they purchase – where was it produced, by whom and under what conditions? Many people do not want to not support child labour, unsafe working conditions, unfair salaries or environmental degradation. As a result, they are more likely to purchase from a business that demonstrates CSR.
   5. media: The media reports on the operations of businesses in the community. If a business is found to be operating unethically – by supporting child labour, polluting the environment or through misleading advertising etc., multiple news outlets will pick up the story. Bad news stories circulate quickly through, leading to reputational damage for the business involved. The business may suffer a customer back-lash causing revenue and profits to decline.
3. The purpose of the United Nations Global Compact is to transform business processes so that they align with the 10 principles of the Compact. In doing so, the objective is to develop organisations who act in a CSR manner. The Compact includes the following 10 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

Principle 6: the elimination of discrimination in respect of employment and occupation

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.

1. Triple bottom line reporting is where a business organisation reports on social outcomes and environmental impact as well as financial performance. A business may decide to adopt this type of reporting because it provides a broader and more detailed perspective on the organisations performance. Businesses no longer care about profit alone. Stakeholders no longer care about profit alone. Triple bottom line reporting provides a way for businesses to assess whether its actions reflect corporate social responsibility, and to identify areas for future improvement. This type of reporting also has the potential to expose a business for its lack of progress in particular areas. Businesses that engage in triple bottom line reporting usually have something good to say about their environmental performance and contribution to their stakeholder groups, including the environment. The more businesses that volunteer for triple bottom line reporting, the more pressure there is for other businesses to be similarly transparent, which pressures business to make actual positive change to the way it operates.
2. A purchasing policy is a policy within an organisation that places requirements on employees seeking to acquire goods or services for use by the company. In other words, it is a guide for the procurement of inputs. This is necessary because the reputation of a business and its suppliers are linked together. A purchasing policy is likely to include provisions that the business deems necessary for corporate social responsibility. For example, a purchasing policy might require suppliers to use triple bottom line reporting, have an environmental management system in place, and sign up to the UN Compact. These requirements give the business reassurance that their suppliers are contributing to and reinforcing its own CSR efforts, and not eroding them.
3. Sustainable procurement is a system of procurement of inputs that allows a business to meet its economic needs while minimising damage to both the environment and society. A purchasing policy that involves sustainable procurement might include a commitment to deal only with suppliers that can: demonstrate the fair treatment of workers, show environmentally sound waste treatment and disposal strategies, and contribution to the development of the local community.
4. One advantage of sustainable procurement is the inherent objective to minimise damage to the environment. A key principle of any purchasing policy should be that the business must justify the purchase of any input, with a view to minimising inputs purchased. Businesses that are able to think creatively about which inputs they really need and which inputs they don’t can save a lot of money. For example, a business may decide to stop purchasing disposable kitchen items like cups, plates and cutlery. Purchasing a smaller stock of re-usable tableware for staff diverts waste from landfill, reduces the cost of processing and disposing of waste and saves the company money. Purchasing policies and sustainable procurement principles help a business to reserve its supply contracts for businesses that demonstrate corporate social responsibility. However, in doing so a business may radically reduce the pool of suitable suppliers and be forced to choose those who are not ideal for other reasons – geographic location, price etc. Sometimes, businesses can be pressured to compromise their ideals to satisfy other requirements. It can be difficult for businesses to monitor and regulate the activities of their suppliers. A supplier might say it has policies and procedures in place to ensure the fair treatment of workers, but the reality may be quite different. Businesses are sometimes forced to distance themselves from their suppliers and point to their purchasing policies as evidence that the supplier signed up to the sustainable procurement principles and then evidently did the wrong thing without the businesses knowledge or approval.
5. Social responsible strategies from the transformation process:
6. Minimise the use of resources: determine which inputs are necessary and which are not.
7. Re-use resources: identify inputs that can be recovered and repurposed.
8. Recycle resources: recover and recycle any input that cannot be repurposed.
9. Utilise green technologies: swap coal fired energy for solar or wind energy.
10. The ideal socially responsible product:
11. Is fit for purpose, durable and safe to use.
12. Made from recycled inputs (where possible).
13. Is able to be recycled.
14. Constructed using labour that is treated fairly.
15. The Fairtrade certification process was established to deliver a better deal to producers in the developing world. Farmers who sign up to become Fairtrade producers agree to use environmentally sustainable farming methods, invest in the local community and use ethical labour practices which prohibit forced and child labour. In return, they are able to sign up to long term contracts that provide security, receive fair and stable prices for their product, and support to develop knowledge and skills in their industry in the context of the global economy.
16. Ethical and socially responsible management practices affect each stage of the operations system. For example, a business that is concerned about corporate social responsibility may focus on the inputs stage of the operations system by introducing a purchasing policy with sustainable procurement principles. It may focus on the transformation stage of the operations system by implementing a technology update that reduces waste and pollution. Finally, it may focus on the outputs stage of the operations system by introducing a smarter logistics system that delivers outputs to customers in a more efficient manner, reducing fuel costs and CO2 emissions. Ethical and socially responsible management is not just about one aspect of the operations system. To be effective, it requires a business to rethink all of its practices and processes.
17. A supply chain is a system of organisations, people, activities, information and resources involved in moving a product or service from suppliers to manufacturers and then on to consumers. A global supply chain is an international supply chain. In other words, one or more parts of the supply chain is located in a different country / countries.
18. A global supply chain is an international supply chain. One or more parts of the supply chain is located in a different country / countries. The big advantage of having a global supply chain is that an Australian business can access the competitive advantage offered by different countries around the world. For example, an Australian business might choose to manufacture in a country that has lower labour costs than Australia, or import inputs from a country that can produce them at a higher quality or at a cheaper price than available in Australia. Or they may be able to locate and access skills and experience in a foreign country that don’t exist in Australia. Global supply chains offer Australian businesses the opportunity to generate cost savings and optimise their operations from searching the globe and selecting the most appropriate organisations to contribute to their business. There are also disadvantages involved in using a global supply chain approach. Having the supply chain spread over multiple countries creates a complex system that can be difficult to manage. Cultural and language barriers may present difficulties. The time differences between countries can make communicating between people involved in different aspects of the business difficult. If problems arise in suppliers to the business, this may disrupt other suppliers and the production of goods and services. Providing intellectual property to overseas suppliers may open an Australian business up to intellectual property theft.