

# Companies and ethic/sustainability aspects through Corporate Social Responsibility<sup>1</sup>

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## ABSTRACT

As big companies have been facing many issues on ethic or sustainability aspects that put them into embarrassing positions with their stakeholders, corporate social responsibility (CSR) gets more and more attention with companies are government legislation.

The purpose of this work is to analyze if those regulation works effectively and if in this way sustainability performance has raised or not, and what can companies do according to the result.

In this paper, we have used a comparison method about the alternatives we proposed to face weaknesses in CSR in contracts.

The main findings of this analysis showed us that the best alternatives for the companies would be to get a sustainable procurement response.

This represents such efforts but many solutions remain and companies can have the all control on it and could benefit from many tools.

**Key words:** Corporate Social Responsibility (CSR), Social contractuel clauses (SCC), Social engagement, Environmental engagement, Contracts' regulation and laws, Ethical requirements

## INTRODUCTION

Apple, in its 2017 CSR report is writing: "Apple Inc. is committed to protecting the environment, health, and safety of our employees, customers and the global communities where we operate".

Nowadays, we witness an increase of awareness of CSR in countries and companies, an approach that evaluates and takes care of the social and environmental impact of business practices. Companies and government with laws to discourage unethical behavior have both evolved in a positive way to reverse the trend. The improvement of CSR strategies related to

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Project Management brings many changes in contracting' scope for a company. In fact, contracts correspond to the objectives of a project, the way stakeholders will manage it, what they are obliged to do and what is forbidden. Then, as far as CSR is progressing, contracts are evolving too, with more ethical and sustainable clauses than before. To make progress on it, companies and governments mention new topics such as Ethical requirements, Sustainability contractual clauses (SCC), promotion of social and environmental standards etc. However, despite these positive changes, many issues remained on adapting sustainable and ethical ideas in global and constantly changing market and businesses. To survive in a very competitive world, companies need to provide projects (products or services) with the highest quality, in the shortest time and at lower price. Then, that "law" sometimes led companies to act in an unethical and unsustainable way when contracting.

For example, bid shopping might be in practice coming from the contractor to get the best price and the subcontractor to get the contract might use bid peddling. Even if regulations occurred to stop those business fashions, they still remain used. Another example would be regulations in countries: To get more benefits, and win time avoiding administrative issues in their own countries, companies often outsource with business 'partners abroad for cheaper labor, where the subcontractor might not have the same contract regulations as in his country.

This is one of the biggest problems in sustainability clauses in CSR. In fact, disparity remains between countries. While states (developing countries most of the time) are more and more introducing CSR and with ethical and sustainable values in their government policies, companies do not have the possibility to ensure the same regulations when contracting with a foreign partner.

Then as Apple includes employer safety in its CSR clauses, labor workforce is working in inhumane conditions in manufactures abroad.

According to these problems recognition, the question is how can companies improve their ethics and sustainability aspects through CSR clauses in contracts?

## **PROBLEM STATEMENT**

Then, this paper will undertake the following questions:

- 1) What are CSR's strengths and weaknesses in contracts?
- 2) Attribute scoring to these
- 3) Define recommendations for companies to improve ethics and sustainability in CSR through contracts

## **METHODOLOGY**

### **Step 1: Development of the feasible alternatives**

Using information about contacting and sustainable/ethical issues, many feasible alternatives exist and may be analyzed. Here we only selected few examples among a large list.

- 1) Determining prices ethically
- 2) Competing fairly and avoid conflicts of interests
- 3) Indicate the importance of sustainability aspects in a particular contract or arrangement
- 4) Get a sustainable procurement response
- 5) Developing supplier's engagement

### **Step 2: Development of the feasible alternatives**

#### **1) Determining price ethically: Reduce Bid shopping and Bid peddling**

When determining a price with your subcontractor, it is needed to have the scope of all cost and the profits according to the market level. In this way, the agreement is ethical on price. However, some companies act in illegal and unethical ways by manipulating to get into his satisfaction price, with Bid Shopping and Bid Peddling. Those practices are condemned and have negative effects on the business such as lower-quality, delays or even defeat. To fight this kind of practices, many methods exist such as a bid listing, bid depositories, etc. Following these methods is a win-win situation for both the contractor and the supplier on finance, and that also helps to avoid disputes (that are also costly most of the time) and give a better brand image to the company.

#### **2) Competing fairly and avoiding conflicts of interests**

In a competitive market, competitors are selected according to their adding value in a market or in a project. Then the fair competition is about the success of a project after the right selection of the best prices and quality. In an unethical way, contract agreement might appear through price fixing, manipulation bid shipping or bid peddling. Then a contract could be signed at the expense of others with better prices and higher quality and could reflect an unreal image of the market. Conflicts of interest are also an unethical way of doing business, as far as a supplier is not considerate in the right way. Avoiding such practices is beneficial for a company because it avoids scandals that could appear, avoids conflicts in a market and provides a good image of the company.

#### **3) Indicate the importance of sustainability aspects in a particular contract or arrangement**

When contracting with one or more parties, it is primordial to make all the parties know your sustainable principles before explaining the content of the contract. When that part is clear, all have the same information to act in the same sustainable direction.

#### 4) Get a sustainable procurement response

A sustainable procurement response is useful to give specifications in a contract and helps evaluate it (contract term conditions). If parties want to solve sustainability issues, it is required that both parties explain the requirements on those subjects, to achieve the objectives in the arrangement. There are many principles existing to help get a sustainable procurement response such as focusing on the impact of the provider, asking for a sustainable supply (check if the supplier is sustainable) and manages a sustainable demand, creating current practices of sustainability (innovation, new supply chain, local procurement), etc.

#### 5) Developing supplier's engagement

The contractor that has sustainable objectives must be informed on sustainability engagement of his supplier, and must develop it if necessary. Sustainability requirement from the supplier may be defined in different categories. For example, mandatory, preferred, eco-labels specifications, product specific criteria, etc. Then after having defining criteria's, it is important to find your best way for evaluate your supplier's engagement, for example with quality, reward, or costs. As a result, the company may benefit from a better brand image.

#### Step 3: Development of the outcomes of each alternative

Scoring model: Multi-Attribute Decision making → Compensatory model

Attributes	1) Determining price ethically: Reduce Bid shopping and Bid peddling	2) Competing fairly and avoid conflicts of interests	3) Indicate the importance of sustainability aspects in a particular contract or arrangement	4) Get a sustainable procurement response	5) Developing supplier's engagement
Cost	3	3	3	3	1
Time	3	2	2	3	1
Practicability	1	2	1	2	1
Impact	1	2	3	3	2

#### Step 4: Acceptance criteria

According to our compensatory model, we can reject our fifth feasible alternative “developing supplier's engagement”, as it only has 1, and 2 grading marks. In fact, this alternative is under the control of the company, and it might be difficult to influence the supplier. As a result, the option would obviously take time which is not very practical for the company. Then, if the supplier decides to change his value and incorporate sustainability asset, it could decide to increase his price. Such inconvenient for a low impact regarding to customers.

Then, the best feasible alternative certainly might be the fourth one “get a sustainable procurement response”.

**FINDINGS**

**Step 5: Analysis and comparison of the alternatives**

COST			TIME	
Very expensive investment	0		More than two years	0
Expensive investment	1		One to two years	1
Medium investment	2		Less than a year	2
Low investment	3		Immediate	3
PRACTICABILITY			IMPACT	
Complex	0		Low	0
Difficult	1		Medium	1
Easy	2		Large	2
Very easy to practice	3		Very large (within and out of the company)	3

Attribute	Determining price ethically	Competing fairly	Importance of sustainability aspects in contracts	4) Get a sustainable procurement response
<b>Cost</b>	1	1	1	1
<b>Time</b>	1	0,6	0,6	1
<b>Practicability</b>	0,3	0,6	0,3	0,6
<b>Impact</b>	0,3	0,6	0,6	1
<b>TOTALS</b>	2,6	2,8	2,5	3,6

### **Step 6: Preferred alternative**

Comparing with the other with ratio scale, we can say that option 4 is  $(3,6/2,5=1,44 \times 100)$  144% much better than option 3  $(3,6/2,8=1,2 \times 100)$  and 128% than option 2. Then we can conclude that getting a sustainable procurement response will be our best option.

### **Step 7: performance monitoring and post-evaluation of results**

There remain many ways to face sustainability and ethical issues in the business' environment. Therefore, it might be difficult to explain which one is the most suitable with one particular business or company as they all have to their particular/actual CSR' level and practices.

In this paper, our analysis showed us that the best alternative is to get a procurement response from the supplier. This alternative is not costly, can get into the objectives in a short time and can have a large and positive impact. More than that, if a company tries one of the principles of this alternative, for example ask for a sustainable supply and the plan does not work properly, the company still has the option to use another principle to reach the objective by managing a sustainable demand for example.

As a result, this alternative presents so many principles and sub-principles that the company will certainly succeed.

## **CONCLUSIONS**

This paper was undertaken to research and find answers to the following questions:

- 1) What CSR' strength and weaknesses in contracts?
- 2) Attributing scoring to these
- 3) Define recommendation for companies to improve ethic and sustainability in CSR threw contracts

Even if CSR' attributes are growing on companies threw contracts, many stakeholders can take the advantage of not being ethical are sustainable if CSR in the contract is not explained in detail.

To face these issues, we can encounter in many big companies such as Apple, different alternatives are possible and are more or less relevant, and this is what we have been trying to identify on this paper.

Then, our analysis helped us identify our best recommendation: Get a sustainable procurement response from the supplier. Why that option is the best one and a good one? At first this recommendation is according to our compensatory scoring model the best one following cost

investment, the time needed, the practicability and the measurement of impact the option could have on the company.

More than that, our research has shown that a company has many ways to get a sustainable procurement response, within his business and without depending on his provider. At first, the best change is to incorporate sustainable values that will help the development of the supply chain: Local procurement, change the demand, integrate sustainable practices in the company. Then, the company can also look after the impact of the provider but does not depend on it to act in an ethical and sustainable way.

## **FOLLOW ON RESEARCH**

In this paper, we discovered that many options are possible to answer our problematic, but in real life, a company cannot choose all options. The best thing to do is then to determine by scoring which one is the best and the more suitable/applicable in business case. This is why we used the compensatory scoring model and found that the best alternative is to get a procurement response from a supplier's company.

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