

Corporate Social Responsibility in the Manufacturer Supply Chain of the Luxury Fashion Industry

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Abstract

This paper discusses the Corporate Social Responsibility (CSR) practices performed by 16 luxury fashion companies and presents the CSR influence on the companies' Supply Chains (SC) performance. Luxury fashion companies are getting involved in the social activities and participating in sustainability and CSR movement. This study utilized the Global Reporting Initiative (GRI) to elaborate on the collected data. GRI is a globally shared framework for CSR reporting and monitoring that divides CSR practices into categories, i.e. Social, Environmental, and Economic, sub-categories, and aspects. The data of 16 luxury fashion companies were investigated and submitted to content analysis using Computer Aided Text Analysis (CATA) software according to the GRI framework and Supply Chain Operations Reference SCOR model that is related to SC performance attributes, i.e. cost, asset management efficiency, flexibility, reliability, and responsiveness. Besides, in-depth case-study interviews with the CEO of Mauri shoes niche luxury company were done to validate the findings of this exploratory research.

This research explored the most applied CSR practices by worldwide luxury fashion companies in order to provide a framework of the relationship between the CSR aspects, according to the GRI and SC performance attributes, of the luxury fashion companies.

Keywords

Luxury fashion industry; Corporate Social Responsibility (CSR); Supply Chain (SC); Sustainable Supply Chain Management (SSCM); Global Report Initiative (GRI).

1. Introduction

Globalization, awareness of the climate change, and sustainability issues are the recent motives that evoked the companies specialized in luxury fashion to be less wasteful and more helping people to express their deepest values. On the one hand, sustainability is the development to meet the needs of the present without compromising the ability of future generations to meet their own needs (Kapferer & Bastien, 2009). On the other hand, luxury fashion companies started to pay more attention towards social sustainability and adopting the CSR practices. The CSR

practices involve labor working conditions, human rights, society activities, and product responsibility, e.g. customer health and safety, marketing communications, and customer privacy. Therefore, this investigated the social activities, CSR practices and KPIs adopted by the luxury fashion companies documented in their sustainability reports and official websites. The gathered data formed the database that enabled to draw a framework of the CSR practices and their influence on the SC performance in this industry.

2. Literature Review

The luxury industry is one of the most attractive industrial divisions that people love and wishes to be a part of. Furthermore, this industry has long attracted the interest of researchers and experts (Karaosman, Morales-Alonso, & Brun, 2016; Okonkwo, 2016; Brun, Castelli, & Karaosman, 2017; Yang, Han, & Lee, 2017; Coste-Manière, Charpentier, Boyer, Croizet, Van Holt, & Chhabra, 2018; Lo & Ha-Brookshire, 2018). Luxury prepares more pleasure and praises all the senses to the customers through its art and beauty (Kapferer & Noël, 1997). Furthermore, luxury has been classified by researchers and experts into 3 main categories, namely the Absolute luxury, Aspirational luxury, and Accessible luxury brands (Brun & Castelli, 2013). According to D'Arpizio, et al. (2014), the luxury fashion market is considered one of the largest markets. The global luxury market contains nine different segments, i.e. the personal luxury goods, cars, luxury hospitality, luxury cruises, designer furniture, fine food, fine wines and spirits, yachts, and private jets. Cars, personal luxury goods, and luxury hospitality are the three biggest segments in order (D'Arpizio, Levato, Zito, & Montgolfier, 2014). During 2014, the global luxury market has exceeded 850 billion Euros with an overall growth of 7%. The luxury market targeted to reach 223 billion Euros in the following years, which triples its size 20 years ago (D'Arpizio, Levato, Zito, & Montgolfier, 2014).

Many researchers have investigated the critical success factors (CSF) necessary to be achieved for the success of the luxury fashion industry (Brun, Castelli, & Karaosman, 2017). The most significant CSF in luxury fashion industry are the product quality, style and design, emotion, country of origin, brand reputation, creation of a lifestyle, uniqueness, exclusivity, superior technical performance, a heritage of craftsmanship (Kapferer J.-N. , 1997; Moore, Birtwistle, & Burt, 2004; Brun, et al., 2008; Brun & Castelli, 2013; Brun, Castelli, & Karaosman, 2017). The CSF of the luxury fashion industry has social impacts on many stakeholders in this industry such as the employees, suppliers, and customers (Okonkwo, 2016). Hence, addressing such CSF is essential for CSR and they should be taken into consideration during the implementation of CSR practices.

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis (Blowfield & Murray, 2008).

The major CSR principles are presented and scientifically defined as follows;

1. Sustainability, synonym to Sustainable development, is to meet the present needs without keeping in mind the needs of future generations to be met (Brundtland G. , 1987);
2. Accountability, which is concerned with an organization recognizing that its actions affect the external environment and therefore assuming responsibility for the consequences of its actions. This concept, therefore, implies a quantification of the effects of the taken actions, both internally within the organization and externally (Crowther, 2008);
3. Transparency principle, which means that the external impact of the organization's actions can be ascertained from that organization's reporting. Thus all the effects of the actions of the organization, including external impacts, should be apparent to all who are using the information provided by the organization's reporting (Crowther, 2008; Coste-Manière, Charpentier, Boyer, Croizet, Van Holt, & Chhabra, 2018).

Also, the concept of Sustainable Supply Chain Management SSCM was introduced in order to study such a particular zone resulted from the intersection of the three topics, i.e., Sustainability, SC, and Management (Seuring & Müller, 2008). The SSCM could be described as the management of material and information flow, and collaboration between companies along the entire chain. The SC integration is a very crucial and strategic milestone to hold a responsible and to endorse social and environmental sustainability among other members of the chain. On the one hand, manufacturing sustainable products is a difficult mission unless all involved companies adopt sustainable activities. Hence, it is not only the brand owners but all members of the SC are advised to undertake initiatives to move towards the sustainability. When it comes to the luxury fashion industry and its integration with sustainability (Karaosman, Morales-Alonso, & Brun, 2016; Brun, Castelli, & Karaosman, 2017), the situation gets even more complicated as the industry is characterized by an extensive network of upstream suppliers. The signature brand image and what it represents to the customers are the fundamental piles for the luxury fashion industry.

Therefore, sustainability should be well-established incorporate practices to demonstrate responsibility for the society and the environment.

This research integrates the supply chain operations reference (SCOR) model with the GRI guidelines in order to explore the relation between the CSR on luxury fashion SC performance. The work presented in this paper exploited the GRI because of its structure of dividing the sustainability into categories, then sub-categories, and afterward into aspects eases the process of identifying the CSR aspects, which are required to be implemented within this study.

On the one hand, the SCOR model was developed by the supply chain council (SCC) to assist and help firms to increase the effectiveness of their SC's performance (McCormack, 2004). The SCOR model contains the decision areas namely, plan, source, make, deliver, and return. Each decision area contains three levels of process details. The SCC has categorized the performance metrics in five performance attributes, known as the reliability, responsiveness, agility "flexibility", costs, and asset management efficiency. On the other hand, the GRI guidelines is a globally shared sustainability framework, whose purpose is to place all relevant stakeholders of the supply chain (SC) in the limelight (Reporting, 2008), which organizations can use to monitor the economic, environmental, and social impacts and. These guidelines divide the social performance into four distinct social sub-categories:

1. Labor practices and decent work;
2. Human rights;
3. Society;
4. Product responsibility.

Despite the fact that many researchers have discussed CSR, Supply Chain (SC), and the luxury fashion industry separately, a few of them have discussed the CSR and sustainability in luxury leaving several aspects to be studied. Therefore, the goal of this research is to fill in the gap by investigating the different aspects of every single sub-category. The objectives of this research are to investigate the CSR practices in luxury fashion companies as well as to explore the relation between CSR and the SC performance of the luxury companies.

3. The Methodology

This study is a qualitative research that thoroughly investigated the reports and documentations of 16 luxury fashion companies and conducted in-depth interviews on a case study in order to validate the findings. First, the study exploited the data gathered from the sustainability reports published on the official websites of 16 different international luxury fashion companies, which we will consider as the secondary data. On the other side, the study collected the primary data through a case study taken place inside Mauri shoes a niche luxury company. The primary data has been gathered through a series of interviews with the owner and CEO of the company. The 4-step research schema of this study is briefly explained in the sequel as shown in Figure 1.



Figure 1: The study methodology main steps

Step 1: In order to identify the different used CSR practices within the luxury fashion companies along their SC (upstream and downstream), this study investigated 16 luxury fashion companies namely (Prada, Gucci, Dolce & Gabbana, Bulgari, Armani, Tommy Hilfiger, Tiffany & Co, Swarovski, Cartier, Burberry, Coach, Hugo Boss, Ralph Lauren, Richemont, Stella McCartney, and Louis Vuitton) for their social sustainability, CSR practices and Key Performance Indicators (KPIs). This was done through their sustainability reports and via their official websites as well as the case-study data collected for the Mauri Shoes Company.

Step 2: The collected data and the different documentation of the various companies were further submitted to a content analysis enabling us to conduct a much deeper descriptive analyses aiming at screening the various social KPIs in the database. They were arranged in a social indicator database in an Excel spreadsheet. The practices included in the database (Step 1) were classified according to the GRI social category, its sub-categories, and aspects. The social sub-categories are divided into four sections; labor practices and decent work, human rights, society, and product responsibility.

Step 3: After defining the social aspects and CSR practices in luxury fashion companies of Step 2, the SC performance based on the SCOR model is identified. A matrix that considers the four sub-categories and includes

the correspondent SC performance was built by using the Nvivo software which analyzing and counting the companies that address and cross-link the social aspects and SC performance areas as shown in Table 1. In other words, the numbers displayed in Table 1 are the numbers of companies that documented their CSR aspects and linked them with the SCOR model performance attribute (e.g. number 9 in the first cell means that nine companies out of the investigated 16 companies have reported their human rights aspects in terms of cost and financial numbers).

Step 4: Computer-aided text analysis (CATA), using Nvivo software, was exploited to elaborate the database. The CATA provides a semantic analysis based on the number of occurrences of relevant words categorized in each indicator of the social sustainability and CSR aspects. Finally, both the social impact categories and the framework were tested and validated through a set of in-depth interviews with the founder and CEO of the case study company who is in-charge of the company’s sustainability practices.

Table 1. The CSR and the SC performance relation matrix. The numbers represent the companies (out of the investigated 16 companies) addressing the CSR sub-categories practices.

	Cost	Asset Management Efficiency	Flexibility	Reliability	Responsiveness
Human rights	9	14	9	9	9
Labor practices and decent work	14	14	12	13	13
Product responsibility	3	6	3	6	5
Society	12	12	9	12	11

4. Results and Discussion

This research built a database for the CSR practices in different luxury fashion companies according to the GRI guidelines. By analyzing the database as well as the case study data using the CATA (Nvivo) software the study found two important things. First, the most implemented practices in the luxury fashion industry are the practices related to the labor practices and decent work, human work, and society, as reported in Figure 2, Figure 3, and Figure 4 respectively. This indicates that these practices are on top of the priorities and have the major attention of both the academia and the luxury fashion companies. Second, the study shows that the practices of product responsibility sub-category are few and did not gain the same attention given to the other CSR sub-categories as shown in Figure 5.

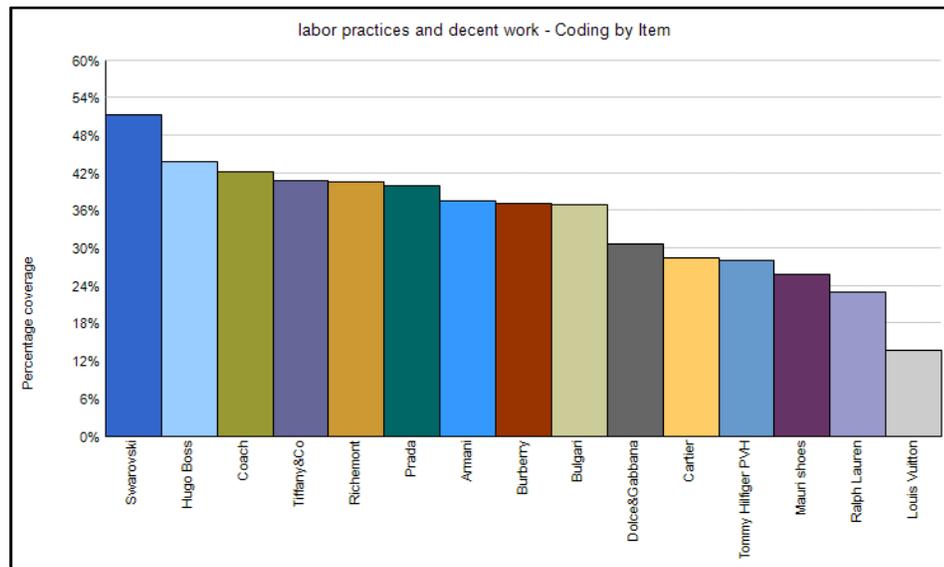


Figure 2: Labor practices and decent work coverage in the database

Also, the analysis of this study reported that:

- The explored companies in the database were addressing the labor practices and decent work sub-category by coverage percentage range from 24 to 42% of the whole database practices as shown in Figure 2;

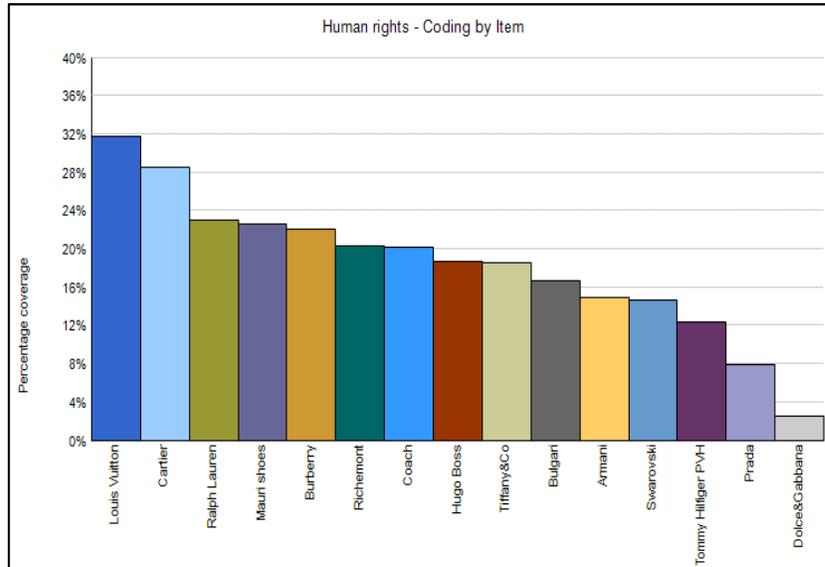


Figure 3: Human rights coverage in the database

- The investigated companies were addressing the human rights sub-category by coverage percentage ranges from 12 to 24 % of the whole database practices as reported in Figure 3;

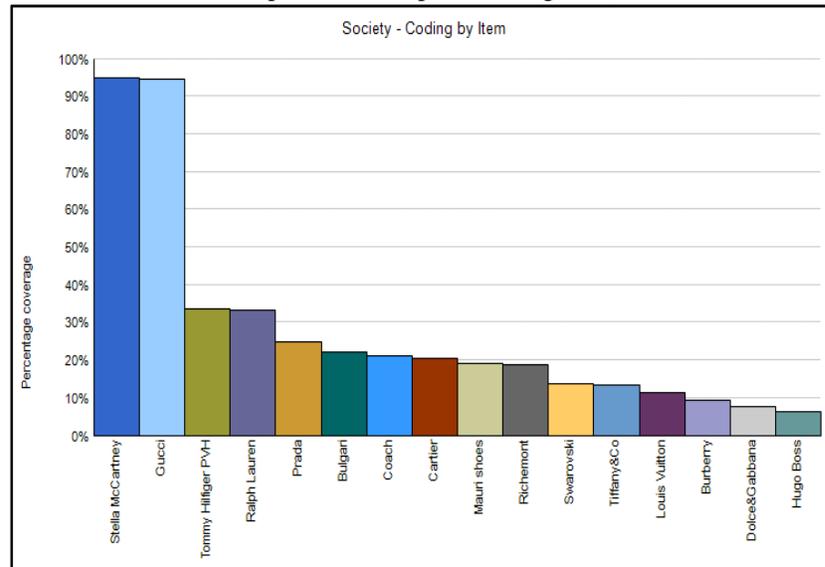


Figure 4: Society coverage in the database

- The companies in the database were addressing the society coverage percentage ranges from 10 to 30 % of the whole database practices as illustrated in Figure 4;
- The explored companies were addressing the product responsibility coverage percentage ranges 4 to 18% of the whole database practices as shown in Figure 5. This percentage is the lowest coverage percent.

In addition, by analyzing the data collected from the case-study series of interviews and using the CATA software, the study has managed to explore the relationship between the CSR aspects and the SC performance attributes as shown in Table 1 and as discussed as follows:

- The labor practices and decent work have a high impact on the SC cost;

The justifying reason is that providing good working conditions, following the health and safety regulations, and empowering labors through training and education would highly-increase the cost of the companies and their SCs.

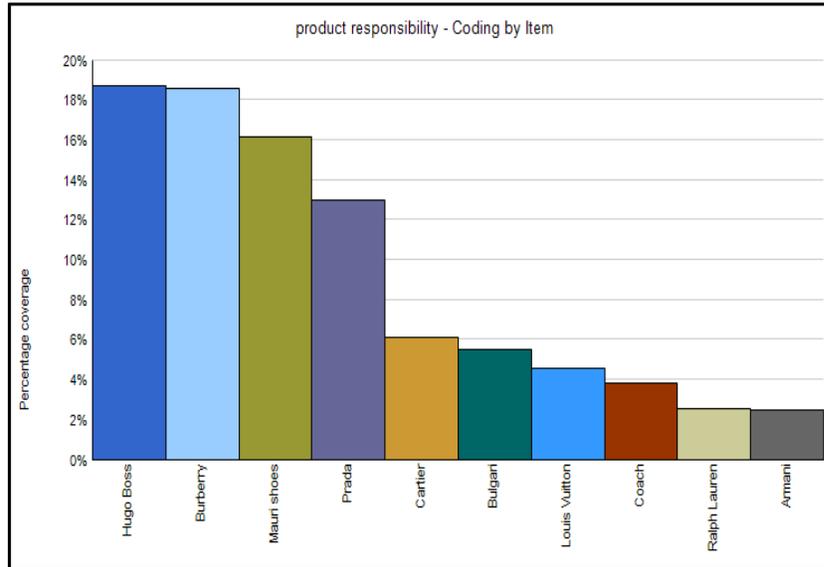


Figure 5: Product responsibility coverage in the database

- Human rights have a high impact on the asset management efficiency;
As caring about the human rights, e.g., prohibiting child labor, discriminations, forced labors, and protecting indigenous rights, could help to achieve a better and efficient asset management.
- The labor practices and decent work have a high impact on the SC flexibility, SC reliability, and SC responsiveness;
The efficient employment procedures, a good relationship between the labor and the management, as well as ensuring equal remuneration, diversity, good health and safety conditions, good working conditions, and providing training and education courses for employees, would positively affect the flexibility, reliability, and responsiveness. This positive impact is because of under good social environment, the labors become more able to properly do their assigned jobs and consequently, the SC performance becomes more reliable and flexible.

Afterward, we explored the most addressed CSR aspects in relation to the SC performance by luxury fashion companies and they are as the following:

- Local communities;
- Employment;
- Supplier assessment of labor practices and decent work;
- Equal remuneration;
- Occupational Health and safety;
- Training and education;
- Supplier human rights assessment;
- Labor/management relations;
- Diversity and equal opportunity.

5. Conclusion

This paper documented the initial findings exploring the coverage of the CSR practices within the SC of the luxury fashion companies. The research found that despite the luxury fashion companies are adopting the CSR practices, they have priorities in establishing these practices, e.g. luxury companies widely report the labor practices, human rights activities, and societal participation. However, the product responsibility practices are left unattended to. In addition, this research studied the relation between the CSR practices and SC performance attributes. According to the analyses of the collected data, the CSR practices related to labor practices and decent work as well as the CSR society practices have a high impact on the SC performance attributes. In brief, conducting more efficient CSR practices and improving their use might lead to improving most of the SC performance attributes. While, this study found that the human rights practices have a lower impact on the SC performance, the product responsibility

practices manifested the least impact. On contrary, the product responsibility is supposed to gain more attention and to have more influence on the SC performance. Hence, this study is considered a step forward for a better understanding of the CSR practices within the SC in order to optimize the implementation of the various CSR practices, in particular, the product responsibility.

6. Limitation and Future Research Development

One of the main limitations faced by this research is the number of available case-studies. Consequently, future researches would overcome this limitation by investigating a larger number of practical case-studies and to include various company sizes, i.e. small, medium, and large. Also, more investigations need to be done on the product responsibility and its impact on the SC performance.

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