CSR in the auto industry: do the first-tier suppliers have stakeholders?

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Abstract: Corporate Social Responsibility (CSR) has become an increasingly important construct for corporate strategies, notably in the automotive industry. This article tries to identify which factors might induce first-tier suppliers to commit to socially responsible practices. Rooted in a stakeholder approach, we analyse in what way customers, civil society, employees, Socially Responsible Investors (SRIs) and state authorities affect first-tier suppliers. We will demonstrate that these traditional stakeholders have little influence on companies. The conclusion will argue that the analytical framework should be broadened to include the meso-economic level.

Keywords: corporate social responsibility; CSR; stakeholders; automobile; first-tier suppliers.

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1 Introduction

A key element in the automotive industry's agenda is the adoption of socially responsible practices (CARS 21, 2006). Regularly denounced as the one of the most polluting of all economic activities, particularly with its products' greenhouse gas emissions, the sector intends to regain its virtue by developing products that are clean(er), increasing its recycling rate and improving its manufacturing processes' environmental performance. With respect to the social dimension of Corporate Social Responsibility (CSR), the agenda is one of improving road safety and, in car-manufacturing countries, protecting jobs as well as the wage-labour nexus.

Each of these elements is already complicated enough when dealt with individually, but the possible contradictions between their various sub-objectives make them even harder to resolve collectively. For example, improving vehicle safety often means

increasing a car's weight, thus increasing its petrol consumption, which can be damaging to the environment. Another source of complexity is that many different actors (companies, state authorities, civil society) are involved in the creation of a responsible industry, with each focusing on different and not necessarily compatible issues and intervening at different levels of analysis (micro-, meso- and macro-economic) (Jullien, 2008). Boyer and Freyssenet (2002) have shown that automakers' profit strategies should be understood in the light of the articulation between the various levels involved. The automotive industry forms a system (Lung, 2004) – its transition to sustainability can only be understood after its constituents' actions are analysed.

This is the framework for the present article, which proposes studying first-tier automotive suppliers and clarifying their CSR positioning. Two series of reasons justify focusing on these firms. The trend towards (qualitative and quantitative) externalisation, which has accelerated since the late 1980s, means that suppliers have become a real focal point in the automotive value chain (Volpato, 2004; Frigant, 2009). *De facto*, they are responsible for a large share of the jobs and revenues produced by this branch. Ignoring first-tier suppliers would mean neglecting many of today's employment-related challenges. In addition (and also derived from externalisation), the rise of modularity in the automotive sector (Sako, 2003; Fujimoto, 2007) has triggered a technological transfer towards suppliers who control key technologies. Many modules have become 'grey box modules' for automakers (Morris and Donnelly, 2006). Environmental or safety technologies may well fit into this category.

The objective here is to analyse the motivations that could induce first-tier suppliers to commit to socially responsible practices in terms of a triple bottom line delineated into economic, environmental and social/societal terms. Without any pretence of exclusivity, the stakeholder approach remains the most widespread explanation for the transition to CSR. Section 2 recalls the essential principles of this theory and why it is used. The subsequent sections assess how stakeholders like customers, civil society, employees and states may or may not become catalysts for first-tier automotive suppliers' shift to CSR. The final section will revisit the intrinsic limitations of the stakeholder construct to understand the dynamics of the shift to CSR when applied to subcontractor companies.

2 Revisiting the stakeholder construct

Research into the foundations of companies' active commitment to CSR remains largely inconclusive despite a plethora of studies and analytical works (Capron and Quairel-Lanoizelée, 2007; Gond, 2008). This diversity can be explained by the indecisive (if not undecidable) nature of an analysis that has two choices to make. Firstly, as a construct, CSR constitutes a relatively blurry object of analysis – defined in a polysemic and proteiform way, it is based on many different theoretical foundations (ethical/moral, instrumental, relational) (Aguilera *et al.*, 2007). Secondly, the theoretical conception of the object to which CSR is supposed to apply, *i.e.*, the firm, remains questionable. The competition between the theories of the firm deployed by economists or managers merely extends the scope of the possible ways to identify which factors induce firms to commit to CSR.

Even the stakeholder approach that dominates the literature in this domain suffers from theoretical eclecticism (Aggeri and Acquier, 2005). However, it is a relatively operational heuristic framework. It can be considered as a converging framework for different types of works or a research tradition (Trevino and Weaver, 1999). For these authors, the stakeholder approach is a useful way to examine the CSR strategy because it allows taking into account many (potential) actors and problems. It is in this sense that the stakeholder construct will be envisioned here – as justified by its relevance to our initial line of questioning (*i.e.*, which factors induce a given behaviour), to the extent that this research tradition is both logically coherent and pragmatic.

If it can be assumed that firms determine objectives only after incorporating all of the actors that are apt to influence them, this approach can be considered coherent since it posits a functional relationship between a firm's actions and the objectives and risks carried by the actors it has identified. In other words, it enables a linkage between actions and actors and, therefore, rationalises behaviours that are not directly related to firms' prime objective, which is to make money. In this sense, by expanding the number of actors that are important to the firm, it helps explain why profit maximisation is not only not the sole objective of a firm, but also why (functionally) this cannot be the case, contrary to what Friedman or, more recently, Henderson (2001) have said. The hypothesis that the interests of actors other than shareholders should be integrated into the firm's objectives to ensure its survival (Freeman, 1984) justifies executives' strategic adoption of socially responsible behaviour.

The approach also wants to be pragmatic (Trevino and Weaver, 1999) in that identifying and ranking stakeholders and their objectives is substantively related to a micro-economic approach that is specific to one firm. Each company must diagnose its own activities, visibility and which actors it considers important. It is true that many typologies have been proposed to tighten up the stakeholder construct or help corporate executives identify and rank stakeholders (Caroll, 1989; Clarkson, 1995; Mitchell *et al.*, 1997). Even though they suggest a more or less unified approach, the truth is that any of the choices being made will be highly idiosyncratic.

Certain forms of organisational imitation clearly do exist. Indeed, imitative behaviour is to be expected from organisations facing radical uncertainty. CSR implementation fits this bill. It is a revolutionary innovation and little is known about its application or internal and external prospects. As DiMaggio and Powell (1983) have shown, organisations are increasingly engaging in convergent practices rooted in the three constitutive mechanisms of CSR:

1 imitation of other sectorial actors – the 'Porter hypothesis' that CSR practices could be a source of competitive advantage would mean that, unsure of whether this is true or not, some firms will seek to minimise risk by simply imitating their rivals

2 consultants' influence on executives – the diffusion of the aforementioned typologies has contributed to this process, much in the same way as CSR marketing consultancy has expanded considerably in recent years or because the leading benchmarks of responsible management (like the Global Reporting Initiative or the UN Global Compact) are explicitly rooted in a stakeholder approach

3 the influence of a state's interventions that define the rules of the game within which (and with which) firms try to define a strategic space for themselves and make decisions – of course, the public sphere, in line with its role as representative of the

general interest, has become increasingly involved in defining norms in social areas (relating to safety, for instance) or environmental ones (*e.g.*, CO_2 emission standards in the fight against greenhouse gases and/or attempts to re-internalise certain external effects, like the creation of a market in polluting rights).

Therefore, it can be argued that the three preceding mechanisms play out in a way that defines the forms of imitation at a sectorial level. These mechanisms help homogenise within any sector answers to questions like who the important stakeholders are and what they want. Thus, stakeholders' identities and rankings can be expected to converge somewhat in firms operating in similar institutional contexts and sectors. Considering that automotive suppliers constitute a group of homogeneous firms in that they face more or less analogous problems, it is not unreasonable to postulate that they deal with similar stakeholders. More than an imitation of concrete practices, what is important is to explore the hypothesis that an evidential link exists between the two crucial questions of who the important stakeholders are and what they want.

To examine the robustness of this hypothesis, the text considers the five stakeholder groups that have been traditionally identified in the literature and examines how each might induce suppliers to commit to socially responsible practices that reconcile economic, social and environmental performance (triple bottom line).

3 Customers: between automakers and users

The stakeholder literature often highlights the figure of the customer as a crucial driver in the shift towards responsible practices. In this view, companies become responsible because they anticipate or respond to the desires of consumers who want to engage in civic-minded purchasing and refuse to accept brands whose production methods do not satisfy minimal social or environmental criteria. These kinds of studies often cite examples of companies whose economic success derives from the ease with which they came up with socially responsible products or services or, conversely, companies damaged by consumer boycotts. Cases like those of The Body Shop, Ben & Jerry's or, conversely, Nike are often used. Yet many observers like Vogel (2005) are not entirely convinced of the economic power of civic-minded consumers. In his view, customers cannot be the main forces driving automotive equipment producers on the path of a modicum of virtue.

A first level of argument relates to the difficulties in identifying automotive suppliers' customers. There is an ambiguity about whether these customers are the automakers to whom suppliers sell their modules and systems on an Original Equipment Manufacturer (OEM) basis or else, users (vehicle drivers and passengers). The suppliers' position is even harder to ascertain, given that some of the equipment that they produce has a life span corresponding, under normal driving conditions, to the life span of the final product (*e.g.*, seats), whereas other equipment wear out much earlier (*e.g.*, tyres, for which most revenues and profits come from post-OEM sales). The question of which parties the suppliers are dealing with most directly is all the more complicated because, like all subcontractors, they often operate in more than one sector. For example, Bosch, the world's leading automotive supplier is also very present in consumer durables (tools and appliances).

This ambiguity explains much of the uncertainty about the development of socially responsible strategies. Then, there is the need to examine automakers' and users' respective ability to assume a stakeholder's role.

Most automakers seem committed to CSR practices featuring, in line with one of the main benchmarks in this area, a 'responsible supply chain' component, *i.e.*, they want their main suppliers to implement socially responsible practices. For instance, Renault, PSA and Volkswagen explicitly equate suppliers to stakeholders. They have also developed similar mechanisms in the areas of social rights and environmental norms.[1] Yet, despite a relatively widespread formalisation of such approaches, their application remains a work in progress. Without denying the existence of an incentivising effect, automakers are limited in their ability to become key actors in suppliers' production processes or product policies.[2]

At an initial level, being a socially responsible company means adopting production processes that respect the ecology and employees. Yet, beyond the discourse, supplier-automaker relations will always be strained insofar as they are characterised by recurring conflicts about margins, with many suppliers suffering from low and declining profitability (Frigant, 2009). This being the case, forcing suppliers to go further and faster than they intend to with their commitment to CSR could become an additional source of conflict that few automakers desire.

On some level, it is possible to interpret automakers' attitude as anti-CSR. This is because most explicitly require their first-tier suppliers to increase the percentage of purchases that they make in low-cost countries. There has been a general acceptance of this geographic redeployment, as witnessed by the growing production of automobile components in spaces peripheral to auto-manufacturing countries (Carrillo and Contreras, 2007; Layan and Lung, 2008; Domanski and Lung, 2009). Whereas automakers have had a relatively negative attitude towards CSR's 'preservation of employment' dimension, in terms of its other dimensions (environment, respect for social rights), most automakers have been motivated by a desire to comply with regulations or minimum practices to satisfy other stakeholders like the state or civil society (cf. below).

Another way for a firm to be socially responsible consists of offering products that are greener and safer. The recent rise of modular production in the automotive industry has turned suppliers into veritable depositories of certain environmental or safety-related technologies (Morris and Donnelly, 2006). *De facto*, the tightening of environmental and safety regulations has given automakers good cause to introduce new technological solutions into their vehicles, thus calling upon those suppliers who control these solutions. However, it is important to understand the chain of causality here. For automakers (as customers), it is less a question of requesting good clean products in the name of socially responsible practices than one of complying with regulation. As for suppliers, fulfilling automakers' wishes is less important than achieving commercial differentiation and finding innovation rents. The reason why suppliers offer technical solutions that are superior to those of their rivals is because they want to get contracts from automakers who are themselves being forced to adapt to regulations or their own customers' demands.

To use a typology developed by Mitchell *et al.* (1997) to identify the relevance of a particular stakeholder, the urgency and legitimacy of developing clean technologies is more a question of regulatory power than a question of automakers' free will.

Moreover, as a consequence of the historical trend towards externalisation, nowadays, suppliers seem to be in a more powerful situation to introduce their own innovations and put pressure on automakers. One poignant element in this argument is the recurring conflict between suppliers and automakers regarding the development of environmental and safety regulations. Whereas automakers tend to advocate an – at best – progressive tightening of regulations, suppliers are generally in favour of a more rapid tightening due to their confidence that they will be able to master the kinds of clean technologies that are required in more stringent standards (see Frame 1).

Frame 1 Suppliers' attitudes towards environmental regulation

> "Today, CLEPA members have the necessary technologies available to help automakers reduce their CO_2 emissions. It is up to automakers to choose the appropriate technologies needed to meet future EU legislative targets. We believe that a joint effort between suppliers and automakers is the best way to best reduce CO_2 emissions and enhance the industry's growth and competitiveness." (CLEPA website, http://www.clepa.com/index.php?id=157, visited 29 July 2008)

The French supplier Valeo and its CEO, T. Morin, are some of the strongest advocates for more stringent regulations:

> "Thierry Morin considers the abatement of emissions to be absolutely indispensable and does not share the opinion of Manuel Gomez (President of the French Automaker Committee) according to whom lawmakers should abstain from creating any new obligations in this area. Quite the contrary, Mr. Morin feels that lawmakers should bring further environmental pressure to bear, since this is the only way to force industrialists to make further progress in this domain (…) Mr. Morin has feels that suppliers are in a position today to cut vehicles' energy consumption in half (…)." (Audience with T. Morin, CEO of Valeo, French Senate Commission on Economic Affairs, quoted in Cornu, 2007, p.35)

Recently, T. Morin said that:

> "Higher oil prices are good for Valeo and cost us less than we make from sales growth (…) The more energy prices rise, the better our products sell." (http://www.autoactu.com, accessed 24 June 2008)

It remains that suppliers' ability to build a strategy revolving around environmental or safety innovation varies greatly, depending on the nature of their activities. For example, a supplier that makes power systems may gear its strategic development towards fuel-efficient solutions, whereas a seat maker will have fewer opportunities along these lines (reduced weight is one possibility, although it has less of a mobilising effect internally and externally). This heterogeneity, based on the nature of the product in question, also applies to automobile users.

Whether or not users are stakeholders for suppliers very much depends on the equipment in question. For suppliers that mainly sell OEM items, automakers serve as a kind of filter. Vehicle components are invisible and suppliers suffer/benefit from this invisibility. After all, common consumers do not know who actually makes a vehicle's cockpit or seats. Clearly, the same does not apply to suppliers turning out goods with a life span that is shorter than the vehicle itself. But, with the exception of tire manufacturers, few suppliers make most of their sales on a post-OEM basis.[3]

Moreover, even where a big spare parts market exists, the users themselves rarely prescribe replacements. The true purchasing decision makers are repair shops and dealerships rather than end users. As long as repair shops do not set up labels for 'components sourced from socially responsible companies', there is no real reason for suppliers to acknowledge users as true stakeholders. This minimal visibility also applies to civil society.

4 Civil society

In the stakeholder literature, it is relatively traditional to use the generic term of 'civil society' to refer to a series of actors that, albeit only indirectly linked to a company, can use their ability to protest (*e.g.*, Nongovernmental Organisation or NGO-organised boycotts) to weigh upon its behaviour. Examples include protests against production processes (*e.g.*, environmental associations denouncing dirty activities), local resident associations refusing worksite expansion projects for environmental reasons (because it disturbs other activities), *etc*. Alternatively, actors can help create a positive image for a firm. Many leading suppliers have engaged in actions that are likely to please civil society, demonstrating that they equate such actors with stakeholders. However, from an analytical perspective these actions are of dubious significance because of the kinds of activities in which suppliers are involved and due to the relatively insignificant (positive and negative) influence that these actors wield.

Due to the nature of suppliers' production processes, they are relatively transparent to civil society. Aside from their aforementioned image deficit, many of the units that suppliers operate are small in size. In addition, they are often part of a dense productive area (in line with a sectorial cluster logic), reducing their relative weight in each production zone. Thus, despite much industrial restructuring, civil society has generally found it difficult to mobilise against suppliers and few large (*i.e.*, nationwide) movements erupt when suppliers' sites are closed or restructured. There are some exceptions, like the closure of a site run by Michelin's Kléber subsidiary at Toul in France, which had a great deal of resonance in the press. Of course, unlike most companies in its sector, Michelin has a strong image and is well-known by the general public. Otherwise, in terms of the environment, suppliers' production units' generally small size means that they pollute less in absolute and relative terms.

The main production-related problem at this level is goods transportation. The generalisation of synchronous flow and just-in-time delivery modes, combined with an increasingly global dispersion of supply chains, means that the supply industry is a great user of road transportation, a problematic mode for safety reasons and because it is very polluting (noise levels and greenhouse gas emissions). But, for the moment, NGOs and the social critics of road transportation have been mainly battling at a general level without focusing on the sources of road-transported flows and, therefore, without attacking the sectors that excessively use this mode.

Examining a few websites run by social activists focusing on the automotive sector (Velorution and Raga in France, Carfree, European Federation for Transport and Environment, Greenpeace, *etc.*) shows that suppliers are rarely mentioned and even more rarely referenced. Sometimes, they even receive accolades as the parties controlling

the technological solutions that could help advance activists' causes (*i.e.*, energy savings). It is as if social activists are unable or unwilling to look beyond the branch's downstream activities.[4] This suggests that they have little power to affect opinion.

Ultimately, suppliers have been left relatively untouched by social criticism. On the few occasions when they have been identified, there was a minimal effect on sales. To impact those suppliers who get most of their revenue from the OEM trade, pressure would have to be placed on automakers. In other words, effective targeting would require in-depth knowledge of who buys what from whom. This is feasible where information exists (*i.e.*, the Automotive News' Car Cutaways section), but it would involve costly and painstaking efforts that could only be justified if the stakes were high (*i.e.*, if a big environmental accident happened, in the case of child labour). On the contrary, imagine that some organisations identify a particularly remarkable responsible supplier. Can we imagine that they would lobby automakers to oblige them to select this one? It seems terribly optimistic.

Of course, another possibility would be for social activists to set up coalitions with unions.

5 Employees and trade unions

Most of the suppliers whose CSR discourse has been examined for the purposes of the present paper view their employees are full-fledged stakeholders. The social reports that they have drafted emphasise their efforts to create greater involvement and get staff members to increase productivity by training them to save resources (environmental awareness days, often organised as part of an ISO 14001 certification process), develop better working conditions and keep industrial accidents to a minimum. There are two ways to explain such practices.

Firstly, studies have demonstrated that recruits might discriminate amongst companies, depending on their level of CSR commitment. This means that proactively engaging in responsible policies will help a company attract the best employees or recruit people more easily at times when conditions are tight in the labour market (Greening and Turban, 2000). This is relevant to the automotive suppliers in two very different situations: when recruiting top-level executives who have in general relatively little appetite for a career in industry or prefer more well-reputed firms like automakers or when recruiting less qualified workers in saturated employment zones like some parts of Eastern Europe – although having said that, environmentally or socially friendly policies will have less of an effect than higher wages or payments in kind (like commuter buses).

Despite the undoubted attractiveness effect identified in Greening and Turban's (2000) study, job security remains the main concern for most employees. As noted in Section 3, many suppliers have worked hard over the past two years to redefine the scope of their activities and restructure the geography of their productive apparatus. Globally, the results of these efforts are a net transfer of employees from industrialised to low-cost countries. Some suppliers are aware that this turn of events contradicts their discourse on social responsibility. The French supplier Faurecia, in its 2007 annual report,[5] began a chapter entitled 'Deepening the social dialogue' with a comment about "slowing down its industrial and social redeployment". Faurecia viewed this action as a

positive indication of its devotion to CSR, before going on to explain that "in 2007 the group continued the industrial redeployment it needed to remain competitive". The implication is that the aforementioned slowdown was less a reflection of Faurecia's desire to treat its employees 'socially' and more a sign that it had exhausted opportunities overseas (or its need to make adjustments). Treating employees as full-fledged stakeholders would mean protecting current employees' jobs. Instead of this – and because they are subject to heavy profitability constraints – suppliers' main concerns have been to reduce staffing in the developed world and deeply modify their Work Models (Krzywdzinski, 2008; Jürgens and Krzywdzinski, 2008).

A second way to envisage the stakeholder role allocated to employees and their union representatives is to assume that they themselves are the drivers behind their employers' social responsibility agenda. Some unions (like Confédération Française Démocratique du Travail (CFDT) or Confédération Générale du Travail (CGT) in France) have appropriated the CSR issue, perceiving it as an opportunity to renew their discourse and actions. In an era marked by a crisis of union representation, it is understandable that they see this kind of commitment as a chance to work with new employees without undermining their more traditional causes (*e.g.*, the fight against delocalisation). Such shifts can take the shape of an alliance with other stakeholders like NGOs, consumer associations and/or academics. The European Coalition for Corporate Justice offers a formal example of this kind of multiparty coalition.[6]

Of course, such a coalition could cause other problems. It can be difficult to discern the compatibility of members' interests. Conflicts can emerge between the environmental aims of NGOs demanding the closure of industrial sites that are considered bad polluters and unions whose main mission is to protect jobs. Sometimes these conflicts can be internal and pit national versus local interest. In the early 1980s, for example, at a time when the French arms industry was experiencing a crisis, there was a flagrant disconnect between the national executive of a large antimilitary French union and its regional branch, which was lobbying local authorities and politicians to support increased arms spending and exports. The automotive industry's mediocre image amongst certain leading NGOs (like Greenpeace) suggests that this sort of conflict might also become a factor where suppliers are concerned. In addition, automotive suppliers' generally low unionisation levels make it less probable that unions can ever be expected to catalyse corporate devotion to a CSR agenda.

6 Socially responsible investors

Socially Responsible Investors (SRIs) in ethical or sustainability funds are actors that are supposed to be able to get companies to adopt more responsible behaviour. There are two ways in which they could do this: by exiting a firm or using their voice. 'Exit' refers to the decision to take or divest an equity interest in a company. By purchasing a stake in a firm reputed to be socially responsible, investors are helping increase demand for its shares. Conversely, by exiting a firm with a reputation for irresponsibility, they are putting downward pressure on its share price (opening the door to takeovers and/or reducing yields), thereby weakening the position of current managers. A voice logic holds that SRIs can (by submitting resolutions to the Annual Shareholders' Meeting or pressuring the Board of Directors) pressure managers into taking measures marked with a CSR seal.

Automotive suppliers are acceptable for ethical funds that function on a negative screening basis (*i.e.*, excluding economic activities that are considered irresponsible like arms, tobacco, *etc.*). Therefore, it is worth studying their role, as well as the role of sustainable development funds that invest in companies whose socially responsible practices have received a positive assessment. This often involves the use of social responsibility indices, some of which list leading automotive suppliers.[7] However, questions remain about suppliers' sensitivity to these funds.

Firstly, the literature on socially responsible funds recalls that there is little hope of ever seeing them fulfil an incentivising role since, despite SRIs' rapid growth in recent years, the capital at their disposal (especially in Europe) is small compared to the financial markets' size (Vogel, 2005). It is true that at a micro-economic level, SRI funds can have some influence but, as Vogel pointed out, they only really get involved in the most flagrant cases of social or environmental irresponsibility.

In addition to these traditional criticisms, there are two others that are specific to automotive suppliers. Firstly, most socially responsible funds screen primarily for financial performance. Criteria like environmental and social performance are mere addenda used to discriminate amongst firms already selected for financial reasons. Now, since 2000, automotive suppliers' profitability has worsened steadily (Frigant, 2009). Several suppliers, including some of the biggest, have lost money for several years now. These poor results basically mean that the sector only attracts speculative investment funds and private equity. Investors in the latter category hope to achieve big capital gains by in-depth restructuring and/or divest subsidiaries if and when an opportunity arises. More than the pressure to become socially responsible to please SRIs, the main worry for suppliers is their short-term profitability. This conflicts with the idea of focusing on socially and ecologically responsible investments based on a medium/long-term aspiration for higher dividends (Vogel, 2005).

Lastly, this is an industry with a heterogeneous capital structure. Family-run companies (like Bosch) and supply subsidiaries of major firms (Faurecia, Denso, Magneti Marelli, *etc.*) have retained a preponderant influence. Indeed, this may explain why speculative funds are so interested in suppliers whose equity structure has not yet been entirely locked up.

All in all, SRIs' potential effect on suppliers seems to be more a question of their desire to be viewed positively by certain indices or socially responsible ratings agencies. Clearly, the limitations of these ratings and indices, in terms of their ability to really measure the effectiveness of socially responsible practices (Vogel, 2005), explain why it is difficult to guarantee the reality of these efforts. At the same time, they can contribute to a performance-related approach or discourse whose effects may not be entirely in vain (Aggeri and Godard, 2006). Seen from this angle, SRIs' main virtue is instrumental. It is more a consequence and a tool that justifies an approach that has been chosen for other reasons than something implemented on its own merits.

7 States and pro-CSR regulations

State authorities can legitimately intervene in CSR debates insofar as these are understood as the micro-economic materialisation of an overall sustainability approach. Since the 1987 Brundtland Report, the international community and most states, at least

in the developed world, have dealt with this issue at a micro-economic level, as illustrated by the highly emblematic Rio de Janeiro Earth Summit in 1992. At the corporate level, states tend to intervene in two different ways: through incentives and constraints.

States officially offer incentives when they consider that socially responsible practices should involve voluntary actions by companies, with their emergence and development being encouraged via state-designed tools.[8] Due to modern states' minimal powers of constraint and the global nature of these problems, the suggestion here is that the design of any such incentivising instrument should be left to more supranational institutions. Their main axis of intervention consists of defining benchmark recommendations helping firms develop CSR practices and give them instruments to pilot actions.[9] One of the best-known frameworks for this is the Global Compact, designed in part by the United Nations. Despite their lack of enforceability,[10] these benchmarks remain useful analytical matrices for companies, 'instructing' them on how to apply CSR. Also, because support for these standards is public, they also allow firms to position themselves *vis-à-vis* rivals and customers. In short, they help forge an image of what a responsible company looks like and encourage CSR's diffusion.

At the same time, because these standards are non-enforceable, people are more or less free to apply them as they see fit. Some of the biggest names in the supply industry adhere to the Global Compact and have drafted codes of conduct inspired from it, but questions still remain about the effectiveness and homogeneity of their practices. External audits are infrequent and have little effect. The real question is how to compare companies with different activities. Automotive suppliers are not a homogeneous group due to differences in their activities (and the scope thereof). It is very hard to find two companies doing exactly the same thing (and nothing else) and with the exact same degree of vertical integration. It is almost impossible to compare, for instance, two suppliers' energy consumption patterns without introducing any bias. One solution would be to reason in variable and not absolute terms. The commitment to CSR would then be defined as less annual energy consumption. Still, given the constant (almost annual) horizontal and vertical redefinitions of suppliers' perimeters of activity, an improvement/deterioration in an indicator of this kind would not necessarily signify a responsible or irresponsible attitude.[11]

Thus, because of the many problems caused by CSR practices' heterogeneity and despite states' desire to allow companies to adapt their own socially responsible practices, the authorities adopt some regulation instruments to impose a certain number of practices. The idea here is not that they will impose all aspects of CSR standards, but the aspects of those elements that they consider most salient. In fact, they do not (cannot?) really want to do more. The states are afraid about the development of social or environmental competition. Clearly, the power of any piece of legislation is limited to the geographic jurisdiction where it applies. This is a problem because many suppliers are multinational companies and we can imagine that they (partly) relocate their plants towards some countries where the regulations would be less stringent. That is why many states argue that the only way to engineer a massive shift to CSR is to act globally. Another way to do: the multinational takes the initiative and decides to become responsible.

Despite these hesitations, the automotive sector has been facing an intensification of socially responsible regulation, including tighter environmental norms relating to product usage (*e.g.*, CO_2 emissions) or end-of-life disposal (recycling). Other standards also apply

to other industries and affect the production process in general. This includes regulations covering volatile organic components or chemical molecules (the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) directive). At the social/societal level, there has also been a tightening of safety standards for drivers and passengers and other road users. At the intersection between these two aspects but on a different subject, several European states, notably France with its New Economic Regulations (NRE) laws, now impose certain forms of social reporting.

Analytically, such regulatory constraints are ambiguous. Given most of the definitions found in the literature, CSR's voluntary aspect implies that they are based not on CSR, but on compliance. Firms need a license to operate. But this interpretation is too restrictive. Indeed, we need to take dynamic organisational effects into account.

Firstly and concretely, compliance forces companies to design organisational systems that broaden the practice of CSR. The REACH directive is one example of this. The whole automobile branch is forced by this directive to design an information collection and diffusion system. Several suppliers built a system logging the substances and patched their subcontractors into it. A few trade associations (Fédération des Industries des Equipements pour Véhicules (FIEV) in France, European Association of Automotive Suppliers (CLEPA) at a European level) have set up explanation and surveillance committees responsible for the directive's application. Due to REACH, information on substances is shared throughout the branch now, enhancing relations between different subcontractor levels and helping actors face environmental problems together. These relations might have been limited at first, but the hope now is that in the future, they will go beyond mere compliance and generate real learning effects.

Secondly, regulation helps forge spaces where firms can develop their competitive strategy. By tightening norms, state authorities have oriented the innovation process towards cleaner/safer products made in ways that consume fewer resources and use fewer dangerous substances. Suppliers' competitive strategies are shifting towards greater differentiation based not on costs, but on providing products that will help automakers comply with the expected future regulations. In this sense, despite some industrialists' reticence (CARS 21, 2006), a legislative orientation is triggering a competitive dynamic in which actors will 'front-run' future regulations.

Thirdly, compliance with regulation enables internal mobilisation and reinforces a company's external visibility. From a managerial perspective, the successful application of any given measure is predicated on employees adhering to it and understanding what is at stake. It helps the company put its compliance approach into context and give it a greater meaning. In a way, authorities become stakeholders in the original meaning of the term since they get the company to go beyond initial recommendations and develop a fuller context. This effect can also transcend the borders of the firm and become a tool for external communication. For instance, the obligation for listed companies to set up a societal reporting system introduced by France's NRE laws has helped formalise reporting practices and forced companies to develop internal indicators and information systems. By doing so, it helps raise awareness within companies of their own internal practices. Moreover, by enabling further examination of rival practices (via employees, civil society and investment funds), it pressures executives to go even further. This mobilising effect also has a retroactive aspect. Ramus and Steger (2000) have shown that employees' perception of a company's level of commitment depends on its degree

of involvement in sustainability initiatives. The more executives value the image of an active CSR policy, the more employees will take charge and come up with solutions furthering this orientation.

Clearly, there is no point in being naive about the impact of the mechanisms generated by a mere transcription of a company's legal obligations. At the same time, there is no doubt that just implementing a law has mobilising effects often neglected in the stakeholder literature that, in the opinion of the present study, tends to overemphasise the influence of stakeholders.

8 Conclusion

The purpose of this article was to examine the hypothesis that automotive suppliers are being pressured by stakeholders to make real commitments to the development of CSR. In the end, strong doubts have been raised on this score. In reality, although suppliers apply a stakeholder construct in their discourse and use it as a tool to trigger CSR approaches, analysis suggests that stakeholders' real influence is relative at best. Some of our analyses have been quite general and fit in with the lessons of the CSR literature (see Vogel, 2005). But, at the same time, it has also been demonstrated that stakeholders' lack of influence is often amplified when we consider auto suppliers. The main explanation lies in the poor visibility that they derive from their status as subcontractors.

An optimistic way to look at things would be to assume that stakeholders are not the real drivers behind the shift to CSR. As Aggeri and Acquier (2005) said, the stakeholder construct is not really useful in understanding why companies commit to CSR practices. They took the case of the French cement maker Lafarge, which became involved in the battle against AIDS in Africa for reasons that were solely economic and only sought to involve stakeholders because it needed them for the purposes of this one battle. The suggestion is that rather than looking to find stakeholders at any price, a greater effort should be made to think about what complementarities might exist between social responsibility and economic efficiency. Also, for some years, a lot of researches tried to explain the possibility to conciliate profit and social responsibility (*e.g.*, Schaltegger and Wagner, 2006). But if these works are very interesting, we can note that there are also big contradictions between these two dimensions. In fact, the present analysis suggests that this type of reasoning should be supplemented on two different levels: by considering the meso-economic dimension and identifying any contradictions between CSR's three dimensions (economic, environment, social).

A good example of this is the automotive supply chain which, for reasons of economic performance, functions according to just-in-time and synchronous flow delivery principles. To apply these principles while cutting manufacturing costs in more generic production, suppliers have designed for their production sites a spatial system combining proximity to automakers with distance based on localisation in low-cost countries (Frigant and Layan, 2009). This spatial organisation may offer an efficient response to productive and economic constraints, but it is also a problem for the two other poles of the triple bottom line: the environment and society. Indeed, its supply chains are extremely long and based almost only on road transportation.[12] The environmental costs (greenhouse gases, noise pollution, infrastructure footprint, *etc.*) and social costs (accidents, congestion, *etc.*) are important.

This example demonstrates that thinking about the incentives for firms operating in a subcontracting capacity to commit to truly responsible behaviour requires a broader perspective and a bigger approach than one that is solely geared towards stakeholders. There needs to be a holistic vision of all of the problems involving in organising a whole industry (public policy, automaker/supplier relationships, trade unions' positioning, *etc.*) Clearly, such studies would be more complex than research aimed solely at identifying 'stakeholders'. At the same time, an effort of this kind should turn out to be more productive in the long-term. To understand how the automotive industry might one day become socially responsible on both its upstream and downstream sides, analysis will need to be carried out at a multitude of interlinked levels. Some new researches enacting this vision are beginning (Jullien, 2008) and we are waiting for the results with hope.

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Notes

1 PSA Peugeot-Citroën's website reads:

> "In 2005, the Purchasing Division drafted and validated an action plan for 2006-2007 with a view to checking supplier compliance with the Group's sustainable development requirements. The plan comprises the following measures: 1) Supplier commitment to respecting the Group's environmental and social requirements, particularly the global framework agreement on the corporate social responsibility of PSA Peugeot Citroën. 2) More in-depth mapping of high-risk suppliers, and tracking procedures based on a questionnaire to verify the compliance of suppliers identified as representing a risk. 3) If necessary, organisation of an audit on the premises of these suppliers, to set a corrective action plan." (PSA, http://www.sustainability.psa-peugeot -citroen.com/economic-performance/suppliers/actions-achievements/ top_priority.htm?id=1814, visited 06 June 2008)

Volkswagen has also developed 'sustainability in supplier relations':

> "[It] involves the introduction of shared environmental and social standards for suppliers around the world. The Volkswagen Group sees this as a key building block in ensuring the competitiveness of suppliers going forwards." (VW, http://www.volkswagenag.com/vwag/vwcorp/content/en/ sustainability_and_responsibility/Strategie_und_Management/Lieferantenmana gement.html, visited 06 June 2008)

2 This argument is obviously more stringent for occidental firms than for Asian supplier networks based on Kereitsu principles, where the carmaker can more easily influence its suppliers (we thank our referees for this useful remark).

3 For a supplier like Valeo that sells many components with a life span shorter than the vehicles on which they are fit, non-OEM sales accounted for 18% of the total revenues in 2007.

4 A recent Greenpeace (2008) report on how automotive interests lobby the European Commission revealed a definite focus on automakers.

5 www.Faurecia.fr

6 The European Coalition for Corporate Justice (ECCJ) is the head of an international network with national subgroups. In France, the network contains (integrated inside the Forum Citoyen pour la Responsabilité Sociale) Friends of the Earth France, Amnesty International France, Centre for Research and Information for Development (CRID), France Nature Environnement, Greenpeace France, the economic news magazine *Alternatives Economiques* and French trade unions CFDT and CGT (http://www.corporatejustice.org/spip.php?auteur6&lang=en, visited 10 June 2008).

7 As an example, Johnson Controls and Valeo are listed in the FTSE4 Good Index and Johnson Controls, in the Domini 400 index.

8 This vision is clearly expressed by the European Commission, which defines CSR as the "voluntary integration by companies of social and environmental concerns into their commercial activities and relations with stakeholders" (CEC, 2006, p.2).

9 The European Commission has developed an "ABC of the main instruments of Corporate Social Responsibility" referencing and classifying the instruments that are available to companies.

10 "The Global Compact is not a regulatory instrument – it does not 'police', enforce or measure the behaviour or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based." (http://www.unglobalcompact.org/AboutTheGC/index.html)

11 Valeo (2007, pp.58–59) has explained its lesser energy consumption performance between 2006 in 2007 by the sale of its cabling activities to Leoni in 2007. This labour-intensive business featured an energy consumption/revenues ratio that was below the average for the group's more mechanised sites.

12 An internal study undertaken by Valeo (2007, p.60) covering 35 of its sites showed that transport-related CO_2 emissions were equivalent to the emissions from said sites.

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