

Corporate Social Responsibility

A Case Study of BSCI Implementation at Best Friend Group Oy

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<p>Abstract</p> <p>With the current polarized debate over CSR issues worldwide, ever increasing number of companies believe that incorporating ethical values into the business operation is an attractive option to upgrade the brand value, maintain the competitive advantage and cater for the social demand of various stakeholders. Business Social Compliance Initiative, a division of FTA, serves as a platform to assist companies in achieving the goal.</p> <p>The study was commissioned by Best Friend Group Oy, a medium-sized wholesale company headquartered in Kuopio, Finland, whose aim was to advance its business success through the re-definition of the corporate supply chain in relation to the risk countries by conducting the BSCI social audit on the suppliers involved. The objective of the thesis was to generate a comprehensive picture on the current status of the suppliers in terms of the corporate social performance and their readiness for the upcoming audits as well as the obstacles to have encountered.</p> <p>The research was preceded by an overview on the theoretical framework of the CSR implementation in general, presented in reference to the well-established theories of triple bottom line, three-dimensional conceptual model of corporate performance and CSR business cases. The research consisted of both qualitative and quantitative methods, manifested in the semi-structure interviews and the survey with the suppliers involved.</p> <p>The research result indicated that a small portion of the suppliers were considered ready for the audit with the rest of them who had a wide gap to merge before being completely compliant with the BSCI social standard. The obstacles for the suppliers to overcome in the process of the social compliance were identified. In the end, a series of recommendations for further research were made to the case company. One recommendation in particular was for BFG to find out the personnel stand and the change to their daily work, brought by the BSCI implementation, in assistance to succeed in the sustainable evolution into a socially concerned international entity.</p>			
Keywords BFG, BSCI, BSCI social audit, CSR			

CONTENTS

1	INTRODUCTION	6
1.1	Research questions	7
1.2	Thesis structure	7
2	CASE COMPANY INTRODUCTION.....	9
3	CORPORATE SOCIAL RESPONSIBILITY.....	12
3.1	The triple bottom line	13
3.2	The three-dimensional conceptual model of corporate performance.....	15
3.3	Business cases for corporate social responsibility	21
4	AN OVERVIEW ABOUT BSCI	26
4.1	What is BSCI?	26
4.2	Risk countries by BSCI definition	26
4.3	BSCI membership.....	27
4.4	Aims and purposes of BSCI	27
4.5	BSCI Code of Conduct	28
4.6	BSCI auditing process.....	29
4.7	BSCI member company commitment formula	31
5	RESEARCH PROCESS AND METHODS	33
5.1	Research objective	33
5.2	Research methods.....	33
5.3	Data collection	35
5.4	Data analysis	38
6	RESEARCH FINDINGS	40
6.1	A brief introduction of the researched subjects	40
6.2	Survey findings	41
6.3	Interview findings	52
7	CONCLUSION	57
7.1	Main findings	57
7.2	Research summary	60
7.3	Recommendations for Best Friend Group.....	61
7.4	Suggestions for further research.....	62
7.5	Summary of the thesis work process.....	63
	ABBREVIATIONS.....	65
	REFERENCES.....	66

APPENDICES

- Appendix 1 The invitation letter to the survey
- Appendix 2 Questionnaire
- Appendix 3 Responses to questionnaire section three
- Appendix 4 Interview topics
- Appendix 5 BSCI Code of Conduct in full version

1 INTRODUCTION

'Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest' (Davis 1960, 70).

The debate over whether a business enterprise should assume certain responsibilities to society extending beyond maximizing profit to the shareholders can be traced back to centuries ago (Carroll & Shabana 2010, 85). However, the subject of the corporate social responsibility did not get to the public attention worldwide until in the 1960s when a series of significant social movements took place in the United States regarding the protection of the civil rights and the prevention of the environmental pollution (Carroll & Shabana 2010, 87). Over decades, CSR has not been downgraded in the significance but rather been regarded as one crucial leverage for the sustainable success of the business. The past ten years in particular have been a strong push to the advancement of CSR with the introduction of the Global Reporting Initiatives in 1997 and the United Nations Global Compact in 2000 (Truscott 2007). GRI was founded non-for-profit, aiming to provide the reporting guidance to companies about the corporate performance in four aspects: economic, social, environmental and corporate governance (GRI 2012). The UN Global Compact, also known as UNGC, is a strategy policy initiative to assist companies that are dedicated to aligning their operations with the ten socially accepted principles in the fields of labor, environment, human rights and anti-corruption (UNGC 2012). Ali, Rehman, Yilmaz, Nazir & Ali (2010, 476) states that a CSR-implemented company gains advantages over the competitors through not only attracting and retaining customers but also motivating and inspiring employees, which in turn ensures the sustainable development of the company.

Best Friend Group Oy, operating in the pet care industry, is a Finnish wholesale company based in Kuopio with subsidiaries located in Denmark, Sweden, Hong Kong and the United States. The company manages an international business in partnership with over 20 distributors in 15 countries and more than 150 suppliers scattered in Europe, Asia and North America (Best Friend Group 2011). In an aim to fulfill the corporate mission of supplying best quality products without the compromise of labor's rights and environmental quality, Best Friend Group registered as a member of BSCI in the year of 2011. BSCI (2012 a) is an initiative of Foreign Trade Association with an effort to assist the member companies to monitor the working conditions and the related social issues arising from the supplying factories in the risk countries by means of auditing, capacity building and the stakeholder activity organization. The project of embedding the ethical

values into the supply chain of the case company within the framework of the BSCI Code of Conduct is undertaken by the author of the thesis, a student of Savonia University of Applied Sciences and in the meantime a full-time contracted employee of the company, subsequent to an accomplishment of a five-month internship in the year of 2011.

1.1 Research questions

The ultimate purpose of the project for Best Friend Group is to ensure the supply chain of the company is aligned with the ethical standards with no violation of the human rights nor the infringement of the environmental sustainability. It can be achieved by following the BSCI member company commitment formula, according to which one third of the suppliers located in the risk countries need to show 'Good' or 'Improvement Needed' in the first 3.5 years after the member company joins the BSCI, and two thirds in 5,5 years (BSCI 2012c). The challenging part of this project is that the involved suppliers carry different status in terms of the social performance as well as the attitude towards the issue of the corporate social responsibility being various.

The purpose of the thesis, which is also the research problem of the project, is to analyze the current status of the target suppliers on the front of the corporate social responsibility as well as their readiness towards the coming BSCI social audit. In order to achieve the objective, two research questions are to be solved and established as follows,

1. In the case company, how many suppliers that are located in the risk countries are currently operating in compliance with the BSCI Code of Conduct and can move forward with the BSCI social audit?
2. If the suppliers are not able to reach the BSCI COC standard, what are the barriers that impede them from merging the social gap?

1.2 Thesis structure

The thesis is divided into 7 chapters. The first chapter explores the evolutionary process of the world most heated topic – CSR, as well as clarifies the main theme of the thesis by presenting the research objective and the research questions to be achieved and revolved in the following research.

Chapter 2 probes into the thesis subject via offering a general introduction of the case company and describes the reasons why Best Friend Group decided to join the BSCI to examine the corporate supply chain associated with the suppliers located in the risk countries.

The 3rd chapter is developed for a comprehensive overview of the literature on the topic of CSR. It is composed of the well-known theories of the triple bottom line and the three-dimensional conceptual model of corporate performance, together with a profound discussion of the advantages and the disadvantages of the CSR implementation. The theoretical background in this chapter maps out a clear picture about the CSR implementation into the cooperate operation, and further explains the rationale why the case company is motivated and determined to re-define the supply chain with the ethical values.

In relevance to chapter 3, the 4th chapter focuses on the description of the background information about BSCI. The social initiative of BSCI is presented in the aspects of the purpose, membership requirement, ethical code of conduct, auditing process and the member company commitment formula. Both chapter 3 and chapter 4 are structured to form a solid theoretical foundation for the coming research.

Chapter 5 describes the process and the methodology of the research. The chapter depicts the research objective, as well as interpret the approaches applied in the process of the data collection and the analysis. The research data is collected via the combination of the quantitative and qualitative methods, with each contributing differently to the research outcome.

Chapter 6 unveils the findings from the research, and is processed in accordance to the research methods, as survey findings and interview findings.

Chapter 7 draws the conclusion about the entire thesis project. The chapter gives a brief review of the main findings and the research process. Further to that, recommendations to the managing group of the case company are established regarding the BSCI social audit project, together with the suggestion for future research. The chapter is concluded with a short overview of the thesis work process in the form of time line.

2 CASE COMPANY INTRODUCTION

Company introduction

Best Friend Group Oy, a multi-brand wholesaler in the pet care industry, is headquartered in Kuopio Finland, with subsidiaries in Sweden, Denmark, Hong Kong and the United States. Its history can be traced back to the early 1970's when three independent Nordic companies of Marketex AB situated in Sweden, Kvik Pet care in Denmark and Kerox Oy in Finland were established. The three companies were acquired by Vital Pet Group, a Danish company, in the year of 2000. Best Friend Group was demerged from VPG and started to operate as an independent company in the spring of 2008 with an aim to concentrate the development on the multi-brand business. (Best Friend Group 2012.) The company offers a wide of selection of pet products in three broad categories, namely pet food, non-pet-food and pet treats, and at the same time, employs a distribution module collaborating with the reputed grocery chains in the Nordic countries and the specialized pet stores in Europe and the United States. The products offered to the grocery chains are 'Best Friend' branded, while the ones to the pet stores are legion, to name a few, Hurttä, Racinel, Ferplast, Flexi and Biogance. The Group is one of the market leaders, accounting for a market share over 16% in the Finnish pet care business while in the foreign market the company is with a great potential for further development (Best Friend Group 2011).

Best Friend Group, a non-manufacturing organization, outsources the entire production process to more than 150 suppliers in Asia, Europe and North America (Best Friend Group 2011). With an objective to maintain a high level of the customer serviceability, namely, reasonable price, best quality and efficient delivery, a well-established supply chain strategy is employed. First of all, Best Friend Group has constantly been looking for the long-term cooperation with the key suppliers to secure the stability of the reliable quality and the competitive pricing in the consumer market. Secondly and most importantly, the purchase and sales departments of the company are closely connected with each other in sharing the key figures relevant to the market trend, the customer purchasing pattern and the market updates in an attempt to generate the accurate product forecast and maintain a balanced stock level with a healthy financial flow. Last but not the least, a highly reliable enterprise resource planning system and an effective warehouse management programming are applied to guarantee the correctness at pick-and-pack in goods dispatch and an expeditious delivery to the customers. The order

turnaround time is as efficient as maximum 12 hours within the Finnish border. (Antikainen 2012.)

Why Best Friend Group joined BSCI?

Best Friend Group has been a member of BSCI since September 2011. The reasons why the case company decided to join BSCI will be discussed in this section and presented in the aspects of the consumer-purchasing pattern, the brand value advancement and the external pressure from the partners and the investors.

According to Auger, Devinney, Louviere and Burke (2010, 140), the increasing customer's awareness of the social issues profoundly affects the approach of the companies marketing the product and the service in the domestic market and abroad. A growing number of the cases regarding the human-right violation emerging from the sweatshops in the developing countries, along with the wide coverage by the press media elevate the seriousness of the social issues. Auger et al. (2010, 140) further points out that the consumers nowadays are exposed to far more choices of the products and the services than any other time in the history. Therefore, a profound understanding of the consumer-purchasing pattern is considered to be a crucial part in determining the ultimate success of the company. A number of evidence demonstrates that consumers, especially the ones from the developed countries, are willing to pay the premium price for the product that feature certain social attribute, namely the product being of no test on the animals, coming out of the production line with no use of the child labor, or labelled with the sign of the 'fair trade' (Auger et al. 2010, 141). The case company is fully aware of the prevalent phenomenon and strongly believe that joining BSCI and re-defining the corporate supply chain with the social attributes manifested would create a competitive advantage for the company, and meanwhile cater for the psychological demand of the consumers through consuming the social-friendly products.

An advancement of the brand value is another initiative that the case company signed up with BSCI. A brand is simply a name, term, symbol, or design, or a combination of them that is intended to identify the product or the service of the company and distinguish it from the one offered by the competitors (Kotler & Armstrong 2008, 226). Brands manifest the social status and the psychological demand of the consumers, and play a significant role in maintaining the customer relationship (Kotler & Armstrong 2008, 230). In addition, a brand can be assessed in the monetary form, known as the brand value. A brand value is used to indicate the financial value of a branded product, evaluated in comparison to the one of the competitor's (Tiwari 2010, 421). However, the valuation of

the brand is closely correlated to the evaluation of the brand equity. According to Aaker (1991, 30), the brand equity is a five-dimensional term and defined from the perspective of the consumers, namely brand awareness, brand loyalty, perceived quality, brand association and other proprietary brand assets. Best Friend Group joining BSCI creates a valuable link to the increase of the brand equity by maintaining and attracting customers with an image that consuming the products of the company contribute to putting an end to the human right violation and the environmental degradation. The brand equity of Best Friend Group is upgraded and so is the brand value.

BFG is in partnership with over 20 distributors in 15 countries. As a supplier, the case company is confronted with the customer pressure in regards to the issue of the social compliance. A case in point is the pressure received from one of the two Finnish retail giants, Kesko Group. Kesko has been committing themselves to building up the social-complaint supply chain since its registration with BSCI in 2005 (Kesko 2005). The partnership between Best Friend Group and Kesko would be affected if the growing trend of the social awareness from the customer's perspective is not sensed nor reacted upon. Similarly, to date, a growing number of the investors consider the ethical values of the company as the critical criteria in the evaluation of the potential investment (IISD 2012). According to the statistics stated on the Report on Socially Responsible Investing Trends in the United States (US SIF 2010), an amount of 3,07 trillion US dollars was invested in the business portfolios in 2010, where the corporate social responsibility to address the social and the environmental concerns is well imparted into the strategy of the company. Therefore, joining BSCI and rebuilding the supply chain in accordance to the social standard is a far-reaching meaningful decision for the sustainable development of Best Friend Group.

3 CORPORATE SOCIAL RESPONSIBILITY

Why does a business exist? The primary initiative to run a business, as many people would answer, is to generate the profit. However, the concept of the corporate social responsibility, perceived as a continuing commitment, requires companies to not only contribute to the economic development but also improve the quality of the life of the society at large. (Uddin, Hassan & Tarque 2008, 199.) The notion of CSR generates a great deal of the polarized debates in both the business field and the academic circle, represented respectively by the late US economist Milton Friedman, and Archie Carroll, the renowned professor emeritus in the Terry College of Business at the University of Georgia. Friedman (1970) perceives CSR in a narrow sense and asserts that doing business is simply as supplying goods and services to the society in return for the profit. On the flip side, Carroll (1976, 499) holds the opinion that a business should be liable for fulfilling not only the economic and the legal responsibilities but also the ethical and the philanthropic expectations. At the same time, many business operators start to regard CSR not as an obstacle, but rather as an opportunity to seize to stay in a competitive position in the market. They strongly believe that meeting the demand of the customers is the hard core to ensure the sustainable development of the business. However, the consumer's satisfaction does not end in consuming the high quality product and the service as they expect more from the companies, that is to say, taking the responsibility for the business actions as well as reducing the negative impact of the business activities on the society and the environment. (Uddin et al. 2008, 210.)

The case company, Best Friend Group Oy, has identified the trend and the overwhelming influence of the CSR on the stakeholders. Joining BSCI to examine the corporate supply chain associated with the risk countries is a positive gesture and a crucial initiative for BFG to transcend itself into a high profiling international business in line with the social standards.

The objective of the chapter is to explore the concept of the CSR from a theoretical perspective. The far-reaching theory, named as the three-dimensional conceptual model of corporate performance, developed by professor Archie Carroll in 1979, will be discussed and analysed in the chapter, together with a brief touch of the well-established theory of the triple bottom line, and the popular business cases to explore the reasons why companies should incorporate the social values into the business strategy.

3.1 The triple bottom line

The term 'the triple bottom line' was firstly coined by John Elkington in 1994, the founder of a British consulting company named SustainAbility (The Economist 2009). Elkington (1997) proposed that a company should monitor the status of three different and separate bottom lines. One is the bottom line of the 'profit' account – a measurement of the profitability of the business performance of the company. The second bottom line is the 'people' account – a measurement of the socially responsible side of an organization all the way through its operation. The last one is the bottom line of the 'planet' account – a measurement of the environmental responsibility of an organization. The TBL includes three P's: profit, people and planet, which are often termed as the economic, social and environmental impacts on the society. (Elkington 1997.)

The economic impact on the society – the profit account

The primary obligation of the business is to make the profit for the shareholders. However, the economic impact of a business entity on the society should be distinguished from its financial profitability. Company's decisions to maximize its profits may generate negative impact on the economic prospect of the society. There are quite a number of cases falling into this category. For instance, when a company decides to move its principle location such as factory, office, etc. from one domicile to another to save costs, seek tax haven or pursue better competitive advantage, the domicile it is going to leave will suffer a negative economic impact. One of the obvious reasons is that the domicile will receive less tax and the economic interest is seriously affected, especially when the moving company operates quite a scale of business that pays a good number of taxes every year. Another case is that companies tend to seek ways to pay as less tax as possible within the legal framework to achieve a better profit whereas the interest of the state is to receive as much as they can for the maintenance and the improvement of the state infrastructure and the living standard. More often than not, the economic interests between the state and the company are conflicted. (Williams 2007.)

The social impact on the society – the people account

The social impact of a company on the society consists of such aspects as responsibilities to customers, employees, suppliers, local communities and other associations that are involved and influenced by the business activities of the company. A company's responsibility for customers is manifested in the aspects of the provision of the quality products and services, the discretion to recall the faulty products from the market, and

the credibility to sell the products and services functioning the same way as advertised and promised. The responsibilities that a company undertakes for employees are reflected in the areas of the working conditions, the legally regulated remuneration paid for the work, the opportunity provided for the personal development, the observed balance between life and work and the respect for other legally entitled rights to employees. For suppliers, a company is accountable for making the payment on a timely basis and avoiding the unreasonable demand for the products and services provided. Last but not the least, the responsibilities towards the local communities require a company to consider the social influence of the business activities on the local communities before any strategic decisions are made. (Williams 2007.)

Environmental impact on the society – the planet account

Global warming has become one lethal threat to the sustaining survival of the humans. The preventative measures to reduce the environmental pollution have been under the serious study by the scientific researchers worldwide. Business activities, on the other hand, are considered to be one major source of the environmental pollution and the emergence of the global warming phenomenon. To date, companies are pressured by the local government and the consumers. They are anticipated to take the responsibility for the environmental infringements, and requested to cut back on the emission of the carbon dioxide and the consumption of the energy and the natural resources. Apart from that, companies are expected to consider the impact that an ultimate product has on the environment. For instance, making the product or the product part recyclable, as well as the package biodegradable, can be a sustainable move favored by the consumers, the governments and the environment-concerned communities. (Williams 2007.) Meanwhile, governments lay down the legislations to regulate the emission of the greenhouse gas and the consumption of the energy for companies to comply with. In 2005, the Emissions Trading System was launched in the EU with an aim to regulate the industrial greenhouse gas emission in order to reduce the environmental pollution. The ETS system sets a cap on the amount of the greenhouse gas and the pollutants that a factory or a power plant is allowed to release every year. Each factory and power plant is allocated with a certain amount of the allowance in the form of the emission permit. At the end of the year, if a company is found to emit more pollutants than allowed, a heavy fine will be imposed. However, the emission permit can be traded among factories, allowing the one that produces less pollutant to sell the permit to the other that needs the extra quota. (European Commission 2010.)

3.2 The three-dimensional conceptual model of corporate performance

As the transition from the 1960s into the 1970s, CSR started to take on a different connotation as *Corporate Social Responsiveness*, as many scholars articulated that the concept of the corporate social responsibility did not convey a message on a practical level in terms of the responsiveness towards the social issues, but stayed at the theoretical discussion on the necessity for companies to take the social responsibilities (Carroll & Shabana 2010, 88). Therefore, in order to physically differentiate the two terms, corporate social responsibility is shortened as CSR₁ and corporate social responsiveness as CSR₂ (Carroll & Shabana 2010, 87). In the year of 1979, Carroll proposed a new concept portraying the phenomenon of the corporate social performance from a new angle. The new concept consists of three dimensions, and meanwhile eases off the dilemma between CSR₁ and CSR₂. It is called the three-dimensional corporate social performance model. The new model is intended to address the following three questions.

1. What are the social responsibilities of a company?
2. What are the social issues a company should attend to?
3. What are the modes of the corporate social responsiveness?

(Carroll 1979, 499.)

In the following text, the new conceptual model of the corporate social performance proposed by Archie Carroll and endorsed by many of the scholars and the business executives are presented and discussed.

The components of corporate social responsibility

Carroll (1979, 499) proposed that businesses have four major responsibilities, that is, economic, legal, ethical and discretionary. Before going deep into the analysis of the four responsibilities, let's take a brief look at the well-known theory of Maslow's Hierarchy of Needs as shown in Figure 1.

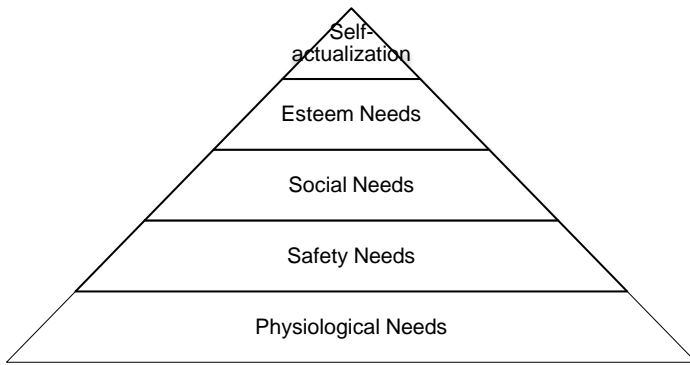


FIGURE 1. Maslow's hierarchy of needs (Maslow 1943)

As can be clearly seen from Figure 1, human needs are described in a hierarchical structure as the physiological, safety, social, esteem and self-actualization needs. It is of importance to notice that the emergence of one higher need is based on the satisfaction of the prior one (Maslow 1943). In analogy to Maslow's hierarchy of needs, Carroll drew up a similar hierarchical structure on the corporate social responsibilities, named as the pyramid of the corporate social responsibility. The pyramid structure is in a vertical sequence of economic, legal, ethical and philanthropic, demonstrated in Figure 2. However, as claimed by Carroll (1979, 499), the four factors are neither mutually exclusive nor additive. Unlike Maslow's hierarchy of needs, the corporate social responsibilities in Carroll's analogy are expected simultaneously from a company and in a priority continuum with the bottom being the most expected and the top the least (Carroll 1979, 499-500).



FIGURE 2. Pyramid of corporate social responsibility (Carroll 1979, 499)

As indicated in Figure 2, it is evident to notice that the first and foremost responsibility of a business is its financial accountability to the shareholders. A business is fundamentally considered as an economic entity. Its essential role is to provide the society with the product and the service in return for profits for the shareholders. Besides, a business

must be operated within the legal and regulatory framework laid down by the government to protect the interests of the parties involved. Both the economic and the legal responsibilities are regarded as the basic responsibilities from Carroll's perspective. Furthermore, Carroll believes that the responsibilities of a business extend beyond the economic and legal level, and therefore introduced the concepts of the ethical and philanthropic responsibilities. The ethical responsibility refers to the practice of a company that is expected by the social communities but is not necessarily codified into laws and regulations. It conveys the message that a corporate decision should be made in good conscience to avoid negative impacts on the life of the public. Lastly, on the top of the pyramid is the discretionary responsibility, which delivers no clear message that what social actions are expected from the company. It is purely on a voluntary basis, not mandated by law nor desired in the ethical vein. The common cases of performing the philanthropic activities are, for instance, making donations to the needed, providing day-care center for the working mothers, hosting training sessions for the unemployed, etc. After all, it is very important to be aware that the social responsibilities tend to be the 'moving targets', indicating a phenomenon that what was considered as a 'good' corporate conduct in an ethical sense a decade ago would be codified into the law and regarded as a compulsory deed. Therefore, companies have to perpetually be aware of meeting the ever changing and advancing social expectations. (Carroll 1979, 500.)

Best Friend Group, the case company, has been performing very well in terms of fulfilling the expected responsibilities on the economic and legal levels. The corporate profitability has always been the primary goal of the business existence. The corporate turnover and the net profit are on a constantly monitoring basis. Meanwhile, the case company is operated in respect of all the applicable laws of Finland and the European Union. Business activities are carried out admiring the provisions of the commercial laws of Finland. Employees are hired in compliance with the Finnish labor legislation. The rights of the employees in terms of working hours, annual vacations, maternity leaves, sick/affair leaves, etc. are all well respected. In the late 2011, the company signing up for being a member of BSCI reflected its awareness of the social expectations from the stakeholders of the business partners and the end consumers. Joining BSCI is not a mandatory requirement, but out of a strong awareness of the expected ethical responsibility. However, for the time being, the company demonstrates no overt performance in the area of the discretionary activities.

Social issues to address

The second dimension of the conceptual model is the social issues that companies are expected to address. Social issues exist in vast numbers and may differ from country to country. The U.S. together with other western countries is consistently encountered with the social problems of the growing rate of the unemployment, the concern about the environmental degradation and deforestation, and the extreme views on racism (Carroll 1979, 501). However, the manufacturing countries are concerned about not only the social issues as mentioned above, but also the problems of occupational health and safety, product safety, employment discrimination, child labor and human rights (Carroll 1979, 501). The social problems affect not only the people who are in its immediate contact, but also the ones related indirectly. The ignorance of the occupational health and safety of the employees in the factory, for instance, will lead to the public questioning of the brand and the credibility of the outsourcing company, which in turn jeopardizes the sales of the products and leaves the corporate reputation at risk.

The dimension of the social issues does not mean to identify the type and the number of the social issues that a company should contend with, but to explore the intrinsic nature associated with different industries. A bank or a university, for instance, is not as much stressed as a manufacturer in coping with the environmental pollution. Similarly, a manufacturer is more pressured about the product recycling than a law firm. Besides, the degree to which the social issues are considered to be serious varies over time. For instance, occupational safety, business ethics, environmental concern, consumerism together with employment discrimination were not as serious and widely discussed decades ago as they are to date. (Carroll 1979, 501.)

Best Friend Group is a wholesaler of the pet products, which owns no manufacturing sites, but outsources the entire production process to the suppliers in the Europe, the US and the Asian countries. Despite this, the company still demonstrates the eco-friendly side in the business operation. The premises of the company in Kuopio are about 9600m². An area of 6000m² of the company is connected with the municipal central heating system, and a space of 1800m² is heated by electricity with the rest provided with no heating. The company is planning to connect the area of 1800m² to the municipal central heating system as well in the coming years, as it is a widely supported eco-friendly approach from the environmental perspective, and meanwhile for a fairly low cost compared to the heating method by electricity. Besides, the illumination system in the premises is equipped with the lamps with fairly low consumption in energy. The lighting system in the yard is controlled automatically in accordance to the daylight availabil-

ity during the day. Additionally, the warehousing activity is one major source of the waste generation in the company. In practice, the waste materials are sorted by type, namely cardboard, plastics and organics. The waste of the cardboard and the plastics are put into the recycling treatment. Lastly, the purchasing process of the company cars reflects the company's awareness of the environmental protection as well. It is because the evaluation of the CO² emission of the car serves as the crucial factor in the purchasing decision process.

The modes of corporate social responsiveness

The last dimension from Carroll's conceptual module is called the modes of the corporate social responsiveness. Corporate social responsiveness, shortened as CSR₂ by scholars, is used to examine the forms of a company's response to the social issues. In the conceptual module, the corporate social responsiveness is categorized into four strategies, namely reaction, defense, accommodation and pro-action with each one in advance to the other in the responsive degree, as can be seen in Figure 3.

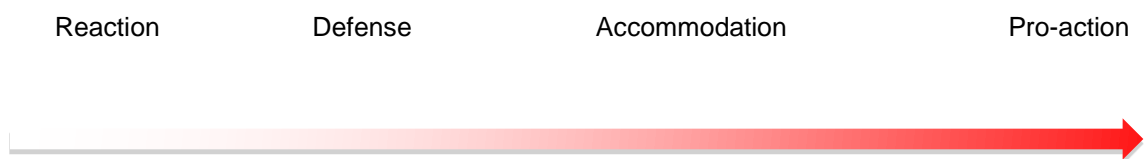


FIGURE 3. Social responsive categories (Carroll 1979, 502)

A business that adopts a reactive social responsible strategy tends to decline the public-required responsibilities and striving to maintain the current business status. This type of the strategy is the favorite method adopted by the tobacco industry that overwhelmingly emphasizes the disconnection between the cancer and the smoking habit. A defensive strategy is used when the business resorts to the manipulation of the legislation to avoid assuming any additional responsibilities. A case in point is the recent news in 2004 that the auto industry fought California's enactment to regulate the carbon dioxide emissions. The bill was made that the CO² emission should be cut down by 30% in the auto industry starting from 2009. The industry lobby group, the Alliance of Automobile Manufacturers, joined by the big-time auto manufacturers such as General Motors, Ford, Chrysler, Toyota, etc. filed a lawsuit against such legislation in California to oppose the enactment of the bill trying to avoid taking the requested responsibility. Furthermore, the company that adopts the accommodation strategy are due to the pressures received from the

special interest groups or the threat from the governments. From my perspective, the case company is connected with this category. The company starting to be aware of the social issues and re-defining the supply chain with the social standard is partially because of the pressure received from the key customer and the general business trend in the European and the American markets. Last but not the least is the proactive strategy. The strategy is used to describe a company that stands up to take the responsibility for the social issues on their own initiative, and which has a well built-up progressive program. Besides, the program serves as an inspiring model for the entire industry to follow. (Kreitner 2007, 130-131.)

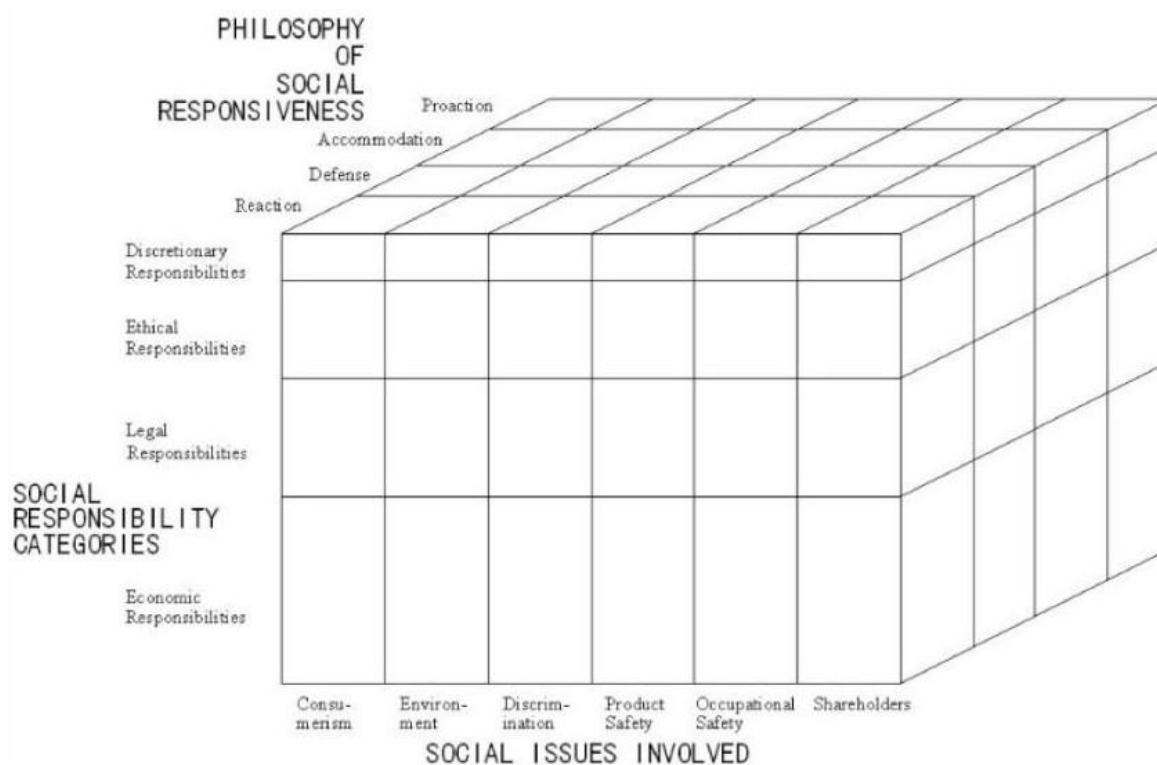


FIGURE 4. The corporate social performance model (Carroll 1979, 503)

As a conclusion, the three-dimensional model can be presented in a three-dimensional rectangle structure, as can be seen in Figure 4. The first dimension refers to the social responsibilities that the businesses are expected to undertake. It consists of economic, legal, ethical and discretionary factors with the economic facet being the most demanded and the discretionary one being the least on a priority continuum; the second dimension depicts the range of the social issues that the companies should address, particularly the ones triggered from the business activities (Note: the social subjects listed in Figure 4 are only for illustration purpose.); the third dimension describes the degree of the corporate responsiveness towards the social issues in a continuum of reaction, de-

fense, accommodation and pro-action. The entire module endeavors to articulate the key factors in the evaluation of the social performance of a company. It can be applied to assist managers to identify the position at which the company is currently situated, and at the same time project a direction for the company to progress. According to Carroll, the model is not the ultimate conceptualization, but a necessary step towards a better notion of the corporate social performance. The module helps clarify the blurring definitional strands of CSR and lays a meaningful foundation for further analysis in both the academic circle and the business world. (Carroll 1979, 504.)

3.3 Business cases for corporate social responsibility

Since the advent of the concept that a business responsibility is not restricted to the profit generation, but extends further to the promotion and the advancement of the social wellbeing, business cases for CSR have gained a considerable amount of attention from both the academics and the managing practitioners. Business case for CSR refers to the rationales and the arguments indicating the benefits that a company can obtain from the commitment to the CSR practice (Carroll & Shabana 2010, 85). In this section, the business cases for CSR will be explored in four major aspects: stronger financial performance, gaining the competitive advantage, developing the reputation and legitimacy and looking for the win-win outcomes.

Stronger Financial performance

It is universally accepted that a company is established to generate as much profit as it could for the shareholders. Therefore, the corporate financial performance has consistently been prioritized over the other matters. However, a great number of research studies show a positive correlation between the corporate financial performance and the corporate social responsibility. It is proved that being environmentally proactive would upgrades a firm's operational efficiency, cutting back on the operational cost and driving down the associated risks (Berman, Wicks, Kotha & Jones 1999, 489; Dechant & Altman 1994, 7). The corporate operational efficiency can be realized through the reduction of the energy and the material consumptions, and the waste recycling in the production process. These types of actions generate benefits for the company from both the environmental and the economic perspectives, and thereby lead to a better financial performance. Besides, a company incorporating CSR into the business operation not only reduce the costs but also gain the opportunity to expand the market and attract new customers, resulting in a good financial return. In relation to the human resource management, a company that treat employees equally and fairly tend to benefit from the

lower rate of the employee turnover, which would decrease the potential costs and risks (Carroll & Shabana 2010, 97).

Gaining competitive advantage

Pursuing the competitive advantage is another initiative for the companies to embrace the CSR and integrate it into the DNA of the company (Leading Company 2012). A company stands a good chance to improve the competitiveness by engaging in the CSR practice. Kurucz, Colbert and Wheeler (2008, 88-91) argued that the demand of the stakeholders should be considered as an opportunity rather than a restraint. That is to say, companies should exploit the business opportunity resided behind the expected social performance. In doing so, companies can set themselves apart from the competitors and gain the competitive advantage.

The competitive advantage derived from the CSR practice can be reflected in many fronts. To begin with, the company embracing the equal treatment of the employees does not only benefits from the potential cost and risk reductions discussed in the last chapter, but also tends to retain and attract the highly skilled employees from the talent pools (Smith 2005, 60). The employees with the impressive educational backgrounds and the skills are inclined to work for the companies where the social standards are respected and maintained. As it is said, maintaining a highly competitive workforce is to the best advantage of the company's sustainable development and the success in the long run. Secondly, carrying out the CSR activities facilitate the formation of the corporate competitive advantage through forging a strong relationship with the customers who are at all times interested in purchasing the product and the service where the social values and norms are manifested. Thus, the company's participation in the CSR activities encourages the customer's continuous patronage of the brand, which guarantees the performance of the corporate bottom line and leads to a desirable financial return (Carroll & Shabana 2010, 98). Last but not the least, engaging in the philanthropic activities of the donation and the cooperation with the charity organizations boosts the financial interests of the business and brings the competitive advantage to the company as well (Carroll & Shabana 2010, 98). However, looking for such an opportunity requires a shrewd observation and marketing sensitivity. It is a challenging task, but with a fruitful influence.

Developing reputation and legitimacy

A company would develop the corporate reputation and strengthen the legitimacy by engaging in the CSR activities. It is believed that the marketplace at present is populated with the products and the services of similar qualities, features, functions and prices (Brønn & Vrioni 2001, 207). A large number of companies are resorting to the corporate reputation and brand image enhancements through the CSR activity engagement in an effort to differentiate themselves from the competitors.

Cause-related marketing, serving as a communication tool for companies to attract the consumers who are eager to make a difference to the society through their purchasing behaviors, has been widely applied in the business field, especially as a means to showcase the socially responsible side of the company (Brønn & Vrioni 2001, 207). A case in point is the world's popular coffee house chain, Starbucks Coffee, which recently launched a US- and Canada-wide charity campaign. The theme of the campaign is that whenever consumers pay with the Starbucks RED card for shopping at Starbucks, the company makes a donation of 5 cents out of the total payment to the Global Fund to help save the lives in the African countries (Starbucks 2012). The core concept of the cause-related marketing is to stimulate the consumer's purchasing desire by associating the purchase behavior with the charity practice, and in the meanwhile demonstrate the corporate sensitivity to the social issues and the efforts made to create a caring atmosphere in the society, building an image that the company is capable of not only achieving the financial goals but also fulfilling the expectations of the various stakeholders.

Seeking win-win outcomes

The notion of creating the win-win outcomes is to encourage the company to carry out the CSR practice in order to balance the stakeholder's demands with the profitable business operation. That is to say, by engaging in the CSR activities, companies seek opportunities and solutions that enable them to pursue the profitability interest with the consent and the support of the various stakeholders. (Carroll & Shabana 2010, 100.)

For instance, companies carrying out the philanthropic activities, such as the charitable donation to the education cause, would result in the improvement of the education quality at schools, which in turn would foster the development of a talent pool with a higher qualified workforce for the company to employ in the future. In the same vein, charitable contributions to the community cause would engender the reward for the companies as well. A case in point is that Cisco Systems, one of the influential corporations in the net-

working industry, offered an interesting severance package when decided to dismiss about 6000 full-time employees. The package stated that the ones who agreed to work for a local non-profit institution for one year would get paid one-third of the monthly salaries from the past positions, as well as other monetary benefits and stock options. Most importantly, those people would be the first ones to be re-hired as soon as there were openings again. It is not difficult to imagine that the policy would work very well for both Cisco Systems and the local communities. The local community would be delighted to have the qualified people working for them whereas for Cisco Systems they kept their talent pool for re-hiring when needed. (Wheelen & Hunger 2012, 121.) In the end, the company cultivates a social image of being a responsible corporate citizen. It is a win-win situation. The essence of structuring a win-win situation is for companies to connect the stakeholder interest with the business operation, which would benefit both the stakeholders and the corporate social performance.

Limitations of business case for CSR

Companies engaging in the CSR activities are for various reasons. The four business cases discussed above are the prevalent factors for the companies to incorporate the CSR strategy into the business operation. However, the business cases for CSR encounters disapprovals and denials, and are considered not to be a winning strategy at all times that can be universally adopted and carried out.

Nowadays, ever more companies are viewing CSR as an opportunity and a means to bridge the gap between the stakeholder expectations and the corporate financial rewards. However, when the competitors catch up with the company using the similar strategy, CSR engagements can barely yield the desirable competitive advantages as it aims to be. Moreover, the CSR practices are associated with the cost reduction and the risk minimization, but cases have it that the product price tend to be marked up when the production process is embedded with the ethical values, such as the products labelled with 'Fair Trade'. Consumers, particularly in the western countries nowadays, are increasingly aware of the message indicated behind the words, but when it comes to the purchase, they concentrate solely on the 'fair price' and 'taste', leaving the 'chance' to help the disadvantageous producers in the developing countries to other fellow citizens. Although the consumers' awareness and perceptions on the corporate ethic values have been on an increasing trend and developed at a considerable rate, it is fairly important to notice that it might still be too early for them to be ready in practice. Therefore, before a company jumps into the immense ocean of the CSR activities, it is advisable for them to

evaluate the readiness from both the company's and the consumer's perspectives if the CSR implementation is one best option to win the game.

4 AN OVERVIEW ABOUT BSCI

4.1 What is BSCI?

With the advent of the globalization, ever more companies decide to source the labor-intensive production to the developing countries. As a matter of fact, the working conditions in the developing countries tend not to comply with the basic labor standards. In order to address this issue, lots of companies have drawn up the codes of conduct in different versions and execute varying monitoring/auditing mechanisms of their own. Consequently, it resulted in audit duplications and confusions to both the companies and the suppliers, and incurred higher costs for both parties. In order to mitigate the effect arising from the redundancy and save the costs, Business Social Compliance Initiative, shortened as BSCI, was established by Foreign Trade Association in the year of 2002. The organization, based in Brussels, is a non-profit organization with an objective to provide a common platform where various codes of conduct and monitoring/auditing mechanisms developed by different companies are replaced by one code of conduct and one monitoring system, and most importantly make certain that the human rights in accordance to the International Labor Organization Core Conventions are abided by and respected by the suppliers in the risk countries. (BSCI 2012a.)

4.2 Risk countries by BSCI definition

According to the definition by BSCI, risk countries are considered to be the ones with rather low performance in terms of the Human Development Index of the United Nations and the Corruption Perception Index of Transparency International. Risk countries are defined with such factors taken into consideration as the employment fairness, the insurance coverage, the social dialogue and tri-partism, and the fundamental principles about the human rights at the workplace. There are 145 countries around the globe listed as the risk countries by the BSCI standard, of which 54 countries are in Africa, 30 in Americas, 41 in Asia, 14 in Europe and 6 in Oceania. The suppliers that Best Friend Group has been working with in the risk countries are centrally located in China including Taiwan and Hong Kong, Brazil, India, Thailand and Turkey. (BSCI 2011b.)

4.3 BSCI membership

There are two forms of the BSCI membership: regular and associate memberships. Regular memberships are open for the companies that are from the non-risk countries and operate in the business fields of retailing, branding and manufacturing. They are requested to actively involve themselves in integrating their suppliers in the risk countries into the BSCI auditing program. Besides, the companies who are eligible for the regular BSCI membership have to reach a minimum annual turnover of 500,000 euro. The case company belongs to the category of the regular membership. On the other hand, the associate members can be any individuals, companies or associations that are interested in the BSCI process but with no direct involvement. The major difference between the regular members and the associate members is that the associate members get limited right, namely, they are not entitled to the right to vote in the General Assembly summoned once a year. By April 1, 2011, there had been over 700 registered BSCI members. (BSCI 2009b.)

4.4 Aims and purposes of BSCI

First of all, BSCI is established to serve as an interface where member companies, suppliers, employee representatives, non-governmental organizations, and other social communities can meet and rely on to collectively improve the working conditions and the human rights in the global supply chain (BSCI 2009b).

Secondly, BSCI Code of Conduct is created to make certain that the working conditions in the factories of the suppliers in the risk countries are socially acceptable and human rights respected. All the suppliers located in the risk countries have to respect the Code of Conduct and have it reflected in the day-to-day business operations. The suppliers have to show the improved working conditions in line with the spirit of the Code of Conduct after being audited. If the supplier has the potential to advance its social responsibility to a higher level, the voluntary part of the audit called 'BSCI Best Practice for Industry' is recommended to carry out, or they can file an application to the Social Accountability International for SA8000 certification. Besides, BSCI has established an all-time monitoring system, that is to say audits are repeated every 3 years to guarantee that the compliance with the BSCI Code of Conduct is in a constant manner at the supplier's. (BSCI 2009b.)

Last but not the least, BSCI arranges the workshops and the on-line training sessions for both the member companies and the suppliers. It aims to create a platform where the

heated social topics can be fairly discussed and attended to. In doing so, both the member companies and the suppliers are able to sense and foresee the potential operational risks if certain actions towards the social issues are not undertaken. Apart from that, the BSCI database is available for both the member companies and the supplying parties, in which they can save and share the audit results with other fellow members to avoid the audit duplication on the same factory. (BSCI 2009b.)

4.5 BSCI Code of Conduct

BSCI Code of Conduct, a set of fundamental socially- and environmentally-concerned principles, is constructed by BSCI in line with the regulations of a series of international conventions, such as the International Labor Organization Core Labor Conventions, the United Nations Conventions on children's rights, the United Conventions to eliminate all forms of discrimination. It applies to the suppliers of the member companies, located in the risk countries. Once the Code of Conduct is signed by both the member company and the supplier, the later party is announced to acknowledge the stated social and environmental standard and agree to work towards the spirit of protecting the employees' rights and improving the working conditions in the factory. (BSCI 2009a.)

BSCI Code of Conduct is officially illustrated in three pages, but hereby a simplified version with the ten general guidelines is presented for an overview. However, a full version of the BSCI COC can be found in Appendix 5.

1. **Legal compliance:** Supplier companies are required to be in compliance with all applicable laws and regulations, industry minimum standards, ILO and UN Conventions and all other local and international requirements.
2. **Freedom of association and right to collective bargaining:** All employees are entitled to the rights to form, join and organize trade unions and to bargain collectively with the company. The company's interference is strictly prohibited.
3. **Prohibition of discrimination:** No discrimination shall be tolerated in hiring, remuneration, access to training, promotion, termination or retirement based on gender, age, race, social background, disability, ethnic and national origin, or any other form projecting discrimination.
4. **Compensation:** Wages paid for the regular working and overtime hours shall meet legal minimums and/or the industry standards. Any deduction from the wage as a disciplinary measure is prohibited.

5. **Working hours:** Working hours per week shall not exceed 48 hours while the overtime hours per week shall not exceed 12 hours. Besides, the overtime work is on a voluntary basis. An employee is entitled to having at least one day off after six consecutive working days.
6. **Workplace health and safety:** The supplier company shall provide a safe and healthy working environment and prevent all potential accidents and injuries to employees in the course of work. The supplier shall also provide access to clean toilet facilities, portable water, sanitary facilities for food storage as well as a clean and safe dormitory for rest.
7. **Prohibition of child labor:** Children under 14 years are by all means prohibited to hire, but young workers who are aged from 14 to 18 years are allowed to employ. Young workers are required to work only outside the school hours if such employees are subject to the compulsory education. The total time spent on the school study, the factory work and the commuting time may not exceed 10 hours per day. No night shift work shall be assigned to young employees.
8. **Prohibition of forced and compulsory labor and disciplinary measures:** Retention of personnel's ID documents, salary, benefits or property to force such personnel to work is prohibited, and so are corporal punishment, verbal abuse, and mental or physical threat.
9. **Environmental and safety Issues:** Procedures and standards for waste management, chemicals disposal and other dangerous materials handling must be established and shall at least meet legal requirements.
10. **Management systems:** An internal management system shall be set up for the implementation of the BSCI Code of Conduct at the supplier level, as well as an establishment of the anti-bribery policy to ensure a corruption-free operation.
(BSCI 2009a.)

4.6 BSCI auditing process

BSCI audit is carried out in close reference to the principles and the spirit of the BSCI Code of Conduct. Only the auditing companies accredited by SAAS accreditation agency are eligible for carrying out the BSCI audits. BSCI social audits can be initiated by either the BSCI member companies or the suppliers themselves. (BSCI 2009b.)

After the supplier accept and sign the BSCI COC, the BSCI auditing process is initiated. The supplier at this stage is encouraged to participate in the BSCI workshops, known as awareness-raising workshops, where the heated social issues are discussed. The supplier should also conduct a self-assessment by completing the BSCI self-assessment questionnaire to evaluate the readiness for the audit. Once the supplier is ready, the auditor is called in. The auditor cannot be any auditing company but the one SAAS-accredited. SAAS, also known as Social Accountability Accreditation Services, is a department of Social Accountability International to certify the companies in conformity with the social standards (SAAS 2012).

The auditing process contains a thorough inspection of the production site, an in-depth examination of the company record and an arrangement of the private interviews with the selective employees in the factory. The duration of the audit is usually about two days mainly depending on the size of the factory. A BSCI social audit consists of two parts: Part A, BSCI mandatory social audit, and Part B, BSCI voluntary audit for best practice in the industry. All the suppliers are subject to the Part A audit, and can voluntarily apply to the audit of part B. The social performance of the supplier is rated on a scale of 'Good', 'Improvement needed', 'Non-compliant' and 'Not applicable'. The rating 'Good' indicates that the supplier passes the audit in full compliance with the regulations stated on BSCI COC whereas the result 'Improvement needed' signifies the supplier nearly passes the audit with slight non-compliant practices identified, and the non-compliant areas should be corrected within the coming 12 months. Conversely, the last two ratings 'Non-compliant' and 'Not applicable' denote the supplier who fails the audit. If the supplier is graded as 'Improvement needed', 'Non-compliant' or 'Not applicable' in the first audit, the auditor would prepare a Corrective Action Plan, known as CAP, for the supplier to make the improvement with, as well as a scheduled timetable for the re-audit.

Within the next twelve months after the initial audit, a re-audit takes place. In the re-audit, only the points stated on the CAP are inspected. If the audit result is negative, a second re-audit will be arranged. After the second re-audit if there are still non-compliant matters, the member company shall consider the business relation with such a supplier. On the other hand, if the supplier successfully passes the audit, the business relationship can be safely maintained. After the audit, the auditing company will draw up an auditing report for both parties, and upload it to the BSCI database. In doing so, other member companies could refer to the same record and check the auditing status of the same supplier to avoid the audit duplication. In actual fact, BSCI audit on the same supplier is repeated every 3 years, and the supplier who have passed the mandatory audit are encouraged to pass the Part B audit of 'BSCI voluntary audit for best practice' or file

an application to SAI for SA8000 certificate which carries higher weight in the recognition of the corporate social performance. (BSCI 2012b.) Figure 5 below provides a rough overview of the BSCI auditing process.

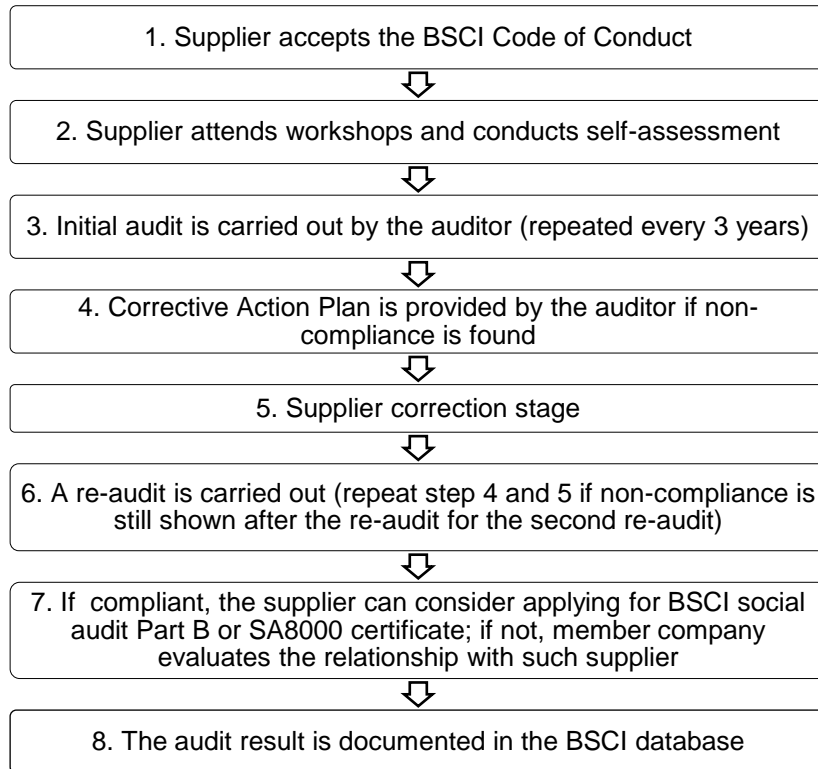


FIGURE 5. BSCI auditing process (BSCI 2012b)

4.7 BSCI member company commitment formula

BSCI member companies have to live by the code of conduct and ensure that the audits on the suppliers in the risk countries are on a gradual progression. BSCI member company commitment formula serves as a mechanism to monitor the commitment of each member company in regards to the progress of the BSCI audits on the suppliers. As can be seen from Figure 6, the commitment formula is composed of three major periods: within the first 6 months after joining BSCI, the member company has to create a list of the suppliers located in the risk countries; within 3,5 years, a minimum of 1/3 of the suppliers should be audited and show a score of Good or Improvement Needed; within 5,5 years, a minimum of 2/3 of suppliers should go through the audit and receive a rating of Good or Improvement Needed. In case of any failure to fulfill the required commitment, the BSCI membership of the corresponding company will be suspended till the required amount of the commitment is reached. The membership suspension will inevitably put the reputation of the company concerned at stake. (BSCI 2012c.)



FIGURE 6. BSCI member company commitment formula (BSCI 2012c)

The business operation of Best Friend Group is supported by a functional ERP system, also named as Enterprise Resource Planning system. It aims to facilitate the information flow across the entire company in assistance to the work of the financial, purchase, sales, customer services, warehousing departments (Koch & Wailgum 2008). Taken from the ERP system, statistics has it that the company is in business relationship with 38 active suppliers located in the risk countries. In reference to the BSCI member company commitment formula, 13 suppliers need to show an audit result of 'Good' or 'Improvement needed' within the first 3,5 years, and 26 suppliers should be 'Good' or 'Improvement Needed' within 5,5 years, as can be seen in Figure 7.

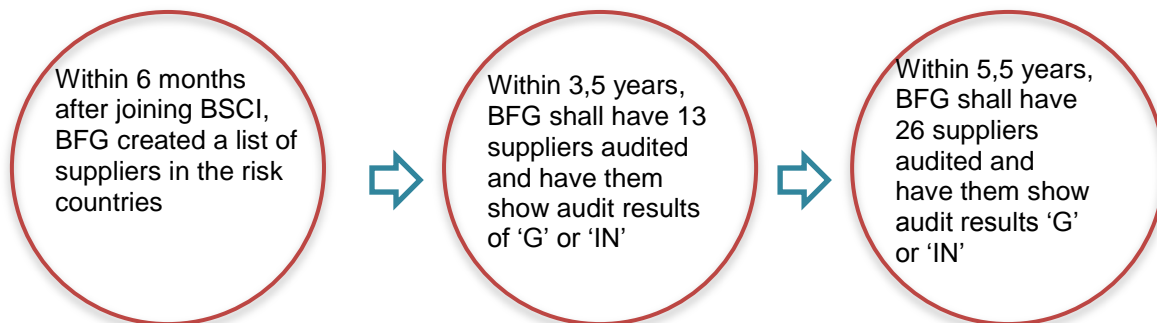


FIGURE 7. BSCI commitment formula implemented at Best Friend Group

5 RESEARCH PROCESS AND METHODS

5.1 Research objective

Wilson (2010, 3) indicates that the objective of a business research is to enhance the decision making process by gathering information. He further argues that business research is a systematic and methodical process of collecting, recording, analyzing and interpreting data to assist the company in resolving the business problems (Wilson 2012, 3). To obtain a valid and reliable result, it is of importance for the researcher to design a clear set of research questions beforehand, which are often considered as ‘the glue that holds the entire project together’ (Wilson 2010, 42-46).

The research questions developed for the research case are as follows.

1. In the case company, how many suppliers that are located in the risk countries are currently operating in compliance with the BSCI Code of Conduct and can move forward with the BSCI social audit?
2. If the suppliers are not able to reach the BSCI COC standard, what are the barriers that impede them from merging the social gap?

5.2 Research methods

In social sciences, there are two broad categories of research methods: qualitative and quantitative. They are contrasted with each other in the aspects of research objective, data collection and data analysis. Qualitative researchers are dedicated to decipher participants’ understandings or their past experiences in regards to the corresponding research questions while quantitative ones endeavor to make conclusions on whether certain hypotheses could be generalized into the entire concerning group. During the data collection process of the qualitative research, researchers are considered to be the main instruments (McBride & Schostak 2012). As is the custom, they employ unstructured or semi-structured interviews and group discussions to address the research questions. In other words, they focus on the subjective side of life of participants. On the contrary, in the quantitative research, structured techniques are applied, that is to say, sampling procedure and questionnaires, through which participants’ attitudes and opinions on the same set of questions are measured. (Snap surveys 2012.) However, the two differing research methods do not define any incompatible contradictions; rather, nu-

merous convincing cases from the empirical social researches demonstrate that it is possible to combine them in one research project.

Scholars in the academic research circle describe the two distinctive research methods in two different reasoning approaches. Quantitative research is often connected with the deductive approach while the qualitative one is associated with the inductive approach. Deductive approach is a theory-based research approach (Kananen 2011, 40). Its reasoning direction is from general to specific. That is to say, the research conclusion on a specific subject is made based on the observation and the testing result of the existing theory. Researchers resorting to the deductive approach develop hypotheses out of the existing theory and endeavor to find out if the theory can apply to a specific case. On the other hand, inductive approach follows the opposite direction where the reasoning process is from specific to general. Therefore, the inductive approach is also known as the data based research (Kananen 2011, 40).

Both the interview and the questionnaire are the favorite tools of the researchers. However, the shortcomings of both tools need to be aware of as well in order to generate the result in a valid and objective way. Questionnaires, to begin with, are impersonal, that is to say when a respondent requires clarification of a certain question the researcher is, however, not available to clarify. Consequently, inaccurate data may be collected and are not qualified for the analysis at the later stage. (Wilson 2010, 149.) On the other hand, in the interviewing cases, the subtle emotion of an interviewer may influence the interviewee's response leading to a less credible answer or a disguised behavior that will affect the research result in the end.

In the current case, both the quantitative and qualitative research methods were employed to solve the research questions. Hiring the quantitative research via the means of questionnaire was aimed to find out the number of the suppliers that were geared up and ready for the upcoming BSCI social audit. The questionnaire was designed based on the general terms and conditions of the BSCI Code of Conduct and developed in reference to the questionnaire applied in the practical BSCI auditing circumstances. Alternatively, the qualitative research in the fashion of the semi-structured interview was exploited to undertake a deep and profound study of the suppliers in terms of the knowledge about the CSR and the BSCI, the actions they have taken to cope with the social matters, as well as the barriers they have encountered in the process of the CSR implementation.

The qualitative part of the research, that is to say the interviewing process, was planned to carry out via telephone, but was arranged by means of email in the end. The reason being was the problem arising from the quantitative data collection process. Suppliers in the risk countries were not very keen on progressing with the BSCI audit, manifested in the low response rate of the questionnaire and the time to have taken to solicit the replies. Consequently, in order to avoid the awkward situation, the method of the email interview was selected. It was aimed to provide the supplier with more flexibility to answer the questions without triggering any panic.

As a matter of fact, email interview contains both advantages and disadvantages. The disadvantages of the email interview reside with the lack of the synchronized communication compared to the other means of the interviews of telephone and face-to-face. Therefore, the questions posed in the interviewing process are of great importance in determining the reliability and the validity of the result. The questions in the process of email interview should be kept in short, clear and to the point as it is challenging to make further explanations after the questions being sent to the interviewees. Besides, the number of the questions needs to be maintained within a certain range, ideally five to eight questions, as the interviewees tend not to spend time on answering lengthy and tedious questions. However, the advantages of the email interview should not be overlooked. First of all, interviewees are flexible in the dialogue development in terms of time and place. With the email interview, the interviewee tends to answer the questions in an honest way and do not hesitate to deliver the answers which would be socially undesirable in other interviewing genres (Opdenakker 2006). Therefore, the reliability and the validity of the research result can be secured.

5.3 Data collection

Sampling technique

In the business research, the data that are collected by someone else other than the researchers themselves are defined as the secondary data, while the data researchers collect by themselves is termed as the primary data. However, the sampling process is a crucial stage in the data collection process. It sets out to collect the data out of the population where the research is designed to study. A sampling frame refers to a number of representative cases out of the target population from which the sample will be drawn (Wilson 2010, 191). Samples are used due to the restricted time and resources available for the research project, and the impossibility for the researchers to analyze the responses from the entire target population (Wilson 2010, 188). There are two types of

sampling techniques: probability sampling, also referred as random sampling, and non-probability sampling, also called as non-random sampling.

Probability sampling is one common sampling technique and particularly used in the quantitative research. It guarantees an equal chance for every individual to be included in the sample to avoid the sampling bias. Conversely, non-probability sampling is often used in association with the qualitative research. Unlike the probability sampling, non-probability sampling does not focus on the statistical generalization into the entire population and the representative feature of the sample, but used to examine a real-life phenomenon. (Wilson 2010, 194-199.)

In the current research project, it was a mixed technique of the probability and the non-probability sampling. Every supplier of the case company, located in the risk countries, had an equal chance to be included in the quantitative research in the form of questionnaire. In actual fact, all the 38 active suppliers were selected for the research as all of them served as the study subjects. The result regarding the current level of the social performance of the suppliers was evaluated on a scale of 'Good', 'Improvement needed', 'Not applicable' and 'Not compliant'. Then the grades were classified into two groups. Group 1 was called 'ready for an immediate audit', while the second group was 'not ready and should be audited later'. After that, one supplier from each group would go further with the research of the qualitative part for a profound analysis of the CSR-associated issues by means of the interview.

Questionnaire design

The design of questionnaire is one of the challenging parts in the process of quantitative research. There are a few factors to be considered before designing a questionnaire, as can be noted in the following,

- The purpose of the questionnaire
- The logicity and the structure of the questionnaire.
- The question order and the length of the questionnaire
- The types of questions used, such as open questions, closed questions, multiple choice questions, likert scale, rank order questions, etc.
- The coding system for data analysis
- The reliability and validity of the questionnaire

(Wilson 2010, 150–151.)

In the case study, the questionnaire was drawn up based on the ultimate version of the BSCI social audit questionnaire with a few modifications made through combining the similar or repetitive questions to downsize the volume of the questions. However, the structure and the main researched topics remained unchanged. The questionnaire consisted of three parts: Master Data, Production Unit(s) data and Corporate Social Performance Data by the BSCI Code of Conduct. Part 1 and 2 were used to solicit the basic info of the supplying company where Master Data was to obtain the information of the company location, business structure, company sales figures, company structure and social audit history, whereas Production Unit(s) Data focused on the number of the active manufacturing units, their locations and the social audit history of the factory. The last part of Corporate Social Performance Data as the main body of the entire questionnaire was employed to study and analyze the social performance status of the factory at the current stage. It was used to study the social performance of the respondents on a number of 13 subjects. The subjects with the respective number of questions are listed in the following.

1. Legal compliance (1)
2. Freedom of association and collective bargaining (5)
3. Prohibition of discrimination (3)
4. Compensation (5)
5. Working hours (4)
6. Workplace health and safety (18)
- 7. Working conditions (11)**
- 8. Dormitories (6)**
9. Child labor / young employees (7)
10. Forced labor / disciplinary measures / prisoner labor (5)
11. Environment (4)
12. Management practice (8)
- 13. Documentation (11)**

One issue to point out is that the number of the social subjects from the research questionnaire and the actual BSCI audit questionnaire outweighs the number of the guidelines stated on the BSCI Code of Conduct in three aspects of dormitories, working conditions and documentations, highlighted in bold letters in the subject list above. They are the three aspects evolved from the guidelines of workplace health and safety, and management system on the BSCI Code of Conduct. The reason being to extract further three subjects from the two associated guidelines is to be more specific and comprehensive in the evaluation of the social performance of the supplying company.

The objective of the survey was to investigate the readiness of the suppliers in terms of the BSCI social audit and the non-compliant factors in respect of the BSCI Code of Conduct. Besides, by answering the questionnaire, suppliers could be aware of the checkpoints in an actual BSCI audit so that proper preparations could be made beforehand.

The coding system upon the answers followed the same assessment criteria as in a real auditing instance. The assessment was designed to apply into the evaluation of the answers in the third part of the survey. The evaluation criteria for each set of the questions are presented in Table 1 below.

TABLE 1. BSCI social audit assessment criteria (BSCI 2011a)

Assessment	Interpretation
Good	No deviation from the BSCI Code of Conduct or minor deviations. The audit result is GOOD if there are not more than two deviations in non-crucial questions, and none deviations in crucial points.
Improvement Needed	The result is IN if deviations are less than half of the non-crucial questions and none in crucial questions.
Not Compliant	The result is NC if deviations from non-crucial points accounts for 50% or more
Not Applicable	The result is NA if the requirement is irrelevant to the structure of the company.

The overall social performance of a supplier is graded based on the criterion that the worst result for any set of the questions determines the final result of the audit (BSCI 2011a). In the research case, if the supplier was evaluated Good or Improvement Needed, the supplier was then considered to be ready and would be sent for an immediate BSCI social audit. If the result of Not Compliant or Not Applicable was demonstrated, the supplier would be granted a preparation time from 6 months up to 1,5 years, and audited at a later time.

5.4 Data analysis

Quantitative data collected via the research tool such as questionnaire tend to be analyzed using SPSS, Excel as well as other data analysis tools. SPSS is one of the most useful and effective programs for the data analysis process particularly in the quantita-

tive research, and is designed to test the hypotheses by finding out the associations between the variables. Moreover, SPSS prevails in the circle of quantitative researchers due to its built-in report function presenting the results in graphs and tables for a clarified outcome. However, SPSS was not employed for the data analysis in the current research study. The reason being was that the questionnaire applied in this case study was not to test hypotheses nor identify the associations between the variables, but investigated the readiness of the suppliers for the coming audits. Therefore, Excel workbook served as a key tool in the analysis process, as well as the main platform in generating the charts and tables used for the statistical result presentation.

On the other hand, the methods used in the qualitative data analysis vary a lot. Different researchers may adopt different analytical techniques but revolving around one common theme – transcribing data, generating categories and interpreting findings (Wilson 2010, 255). During an interview, researchers make observation, take field notes, videotape or record the interview to produce a record of data that they have noticed (Seidel 1998). With the noticed data, researchers transcribe the data into the written form. It is a time-consuming process but an essential stage for an in-depth exploratory analysis. Once the data are transcribed, the next step is to read through the transcripts and start to code. Coding downsizes the scale of data, and therefore saves time for the analysis at a later stage. The coding stage does not suggest a one-off process but need repetition as it assists researchers in identifying the pattern and themes of the data. After the data being coded, it is time to sort them out by theme or category. Lastly is to interpret the findings and discover the connections, similarities and differences among the categories. (Wilson 2010, 255-262.) In the current research case, the same steps were followed. However, due to the interviews being conducted via email, the step of making observation, taking field notes and recording the interviewing process were not applied in the data collection process.

6 RESEARCH FINDINGS

6.1 A brief introduction of the researched subjects

Best Friend Group has been in contact with 38 active suppliers located in the risk countries where 32 suppliers are based in China including Hong Kong and Taiwan, 3 in Thailand, and 1 in each of the country of India, Brazil and Turkey. In 2011, the import volume of BFG from the risk countries accounts for nearly 28%, where China takes up 91% of the business transactions, Thailand 4,9%, Turkey 2,9%, Brazil 0,4% and India 0,9%. The following pie chart of Figure 8 provides an overview of the corresponding import volumes of the company from EU countries, North America and the risk countries in the year of 2011.

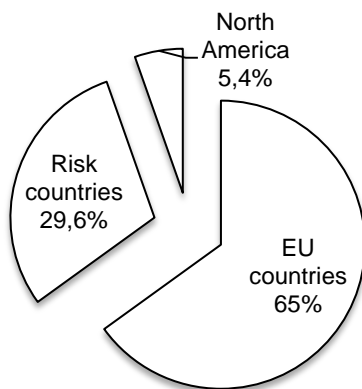


FIGURE 8. Best Friend Group Import Volume in 2011

The result of the survey reveals that 3 out of the 38 active suppliers have passed the BSCI audits, which were requested by other BSCI participants. The audit results of the suppliers were satisfactory and graded either good or improvement needed. As per the BSCI policy, BFG is not responsible for the implementation of the social audit process into the companies concerned any longer. Therefore, they were excluded from the following research analysis.

Additionally, excluding the three has-been-audited suppliers, there were further three suppliers who were previously involved in the social auditing process yet in different forms. One Thai respondent was in possession of a social audit report by Disney Code

of Conduct while two Chinese suppliers were respectively equipped with the audit report by Carrefour Code of Conduct and the report by Costco Code of Conduct along with a Quality Management System certificate. Unfortunately, none of the suppliers could be exempted from the coming BSCI audit as the possessed reports and the certificate were not qualified enough to replace the BSCI social audit. According to the BSCI policy, no other social audit report or certificate is qualified to replace the BSCI social audit except the SA8000 certificate (BSCI 2012d).

6.2 Survey findings

The questionnaire was sent to all the 38 suppliers of the company that are based in the risk countries on 15 June 2012. Due to the low response rate in the first 2 weeks, two further requests were sent to the suppliers again in an effort to receive as many responses as possible. After a two-month period, a number of 18 responses were received with 15 valid responses and 3 not applicable due to the respondents being BSCI-audited in a prior time. There were 15 responses from China, 2 from Thailand and 1 from Turkey. The general response rate was about 47%. The BSCI social audit assessment criteria were applied to analyse the responses from the questionnaire section three, that is to say, the 13 sets of the social questions. The result of the respondents' social performance at the current level by the BSCI Code of Conduct can be seen from the statistics presented in Table 2.

TABLE 2. Respondent social performance by BSCI Code of Conduct as per subject

	Good	Improvement Needed	Not compliant	Not applicable	Total
Legal compliance	15	0	0	0	15
Prohibition of discrimination	15	0	0	0	15
Workplace health and safety	14	1	0	0	15
Forced labor / disciplinary measures	14	0	1	0	15
Environment	14	0	1	0	15
Management practice	13	2	0	0	15
Working conditions	11	4	0	0	15
Documentation	10	5	0	0	15
Freedom of association and collective bargaining	10	0	5	0	15
Child labor / young employees	8	2	5	0	15
Working hours	5	0	10	0	15
Compensation	4	0	11	0	15
Dormitories	7	1	0	7	15

Among the 13 social subjects, the ones that are revealed to be of no strong violations from the analysis of the result are as follows,

1. Legal compliance
2. Prohibition of discrimination
3. Workplace health and safety
4. Forced labor / disciplinary measures
5. Environment
6. Management practice
7. Working conditions
8. Documentation
9. Dormitories (It showed a number of 7 suppliers not applicable in this matter. The reason being is that they do not provide dormitories.)

However, the subjects regarded as the barriers where the suppliers perform least satisfactorily with the presence of considerable social violations revolve intensively around the matters in the list below. As a matter of fact, such matters are by far the most heated and disputed subjects worldwide.

1. Freedom of association and collective bargaining
2. Child labor / young employees
3. Working hours
4. Compensation

In the following text, we will focus the discussion mainly on the four subjects where the least social compliance is identified from the result, whereas the ones with no significant violation will not be involved. However, a full presentation of the answers to the 13 sets of social questions can be found in Appendix 3.

The following discussion proceeds with the analysis of the answers to the questions under the four challenging social subjects mentioned above. The demonstration of the answers is in the form of the bar chart where the horizontal axis indicates the amount of the positive replies received to the corresponding questions and the questions are shown on the vertical axis. The result is illustrated in a descending order where the questions obtained more positive replies are shown in the top of the chart and the ones gained less in the bottom.

Disputed subject – freedom of association and collective bargaining

Within the subject of freedom of association and collective bargaining, five questions were formulated to solicit detailed information from the respondents about their current practice. Figure 9 describes the positive replies towards the corresponding questions. It can be clearly seen that 14 suppliers answer positively in terms of the employee's freedom to join and establish social unions, the right of the collective bargaining and the allowance of anonymous complaints. However, when it comes to the subjects of the freedom for the social unions to access their members and the conflict between local laws and BSCI Code of Conduct in policy, respondents are hesitant to mark positive replies, which drop from 14 to 12.

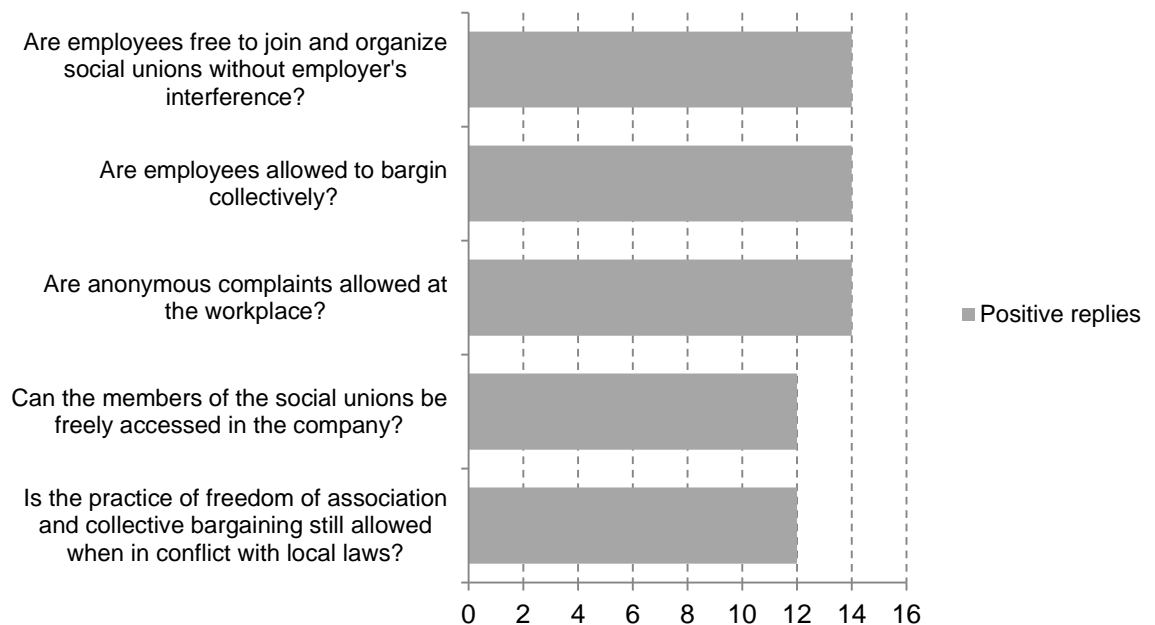


FIGURE 9. Respondents' current practice on freedom of association and collective bargaining

Furthermore, according to the BSCI social audit assessment criteria, the questions of 'are the employees free to join and organize social unions without employer's interference?', 'Can the members of the social unions be freely accessed in the company?', and 'Are employees allowed to bargain collectively?' are the crucially inspected matters in the audit. That is to say, the audited company that is found any violation in these matters will be graded as non-compliance despite good performance in other aspects. From the result of the survey, there are three suppliers categorized to be least fulfilling, and therefore receive a result of non-compliance respectively.

Disputed subject – compensation

Worker's compensation is another disputed subject reflected from the result of the survey. Five questions were developed under the compensation subject in the aspects of maternity leave, insurance coverage, existence of the pay slips, payment for regular work, and overtime compensation. Figure 10 describes the result of the replies to the corresponding questions. It can be noticed that the majority of the respondents replied positively in terms of maternity leave, insurance coverage and existence of the pay slips, indicating their current practice is compliant with the legal regulations and the BSCI COC. Conversely, in the matters of the payment for regular work and the overtime compensation, respondents did not look confidently enough to post affirmative replies.

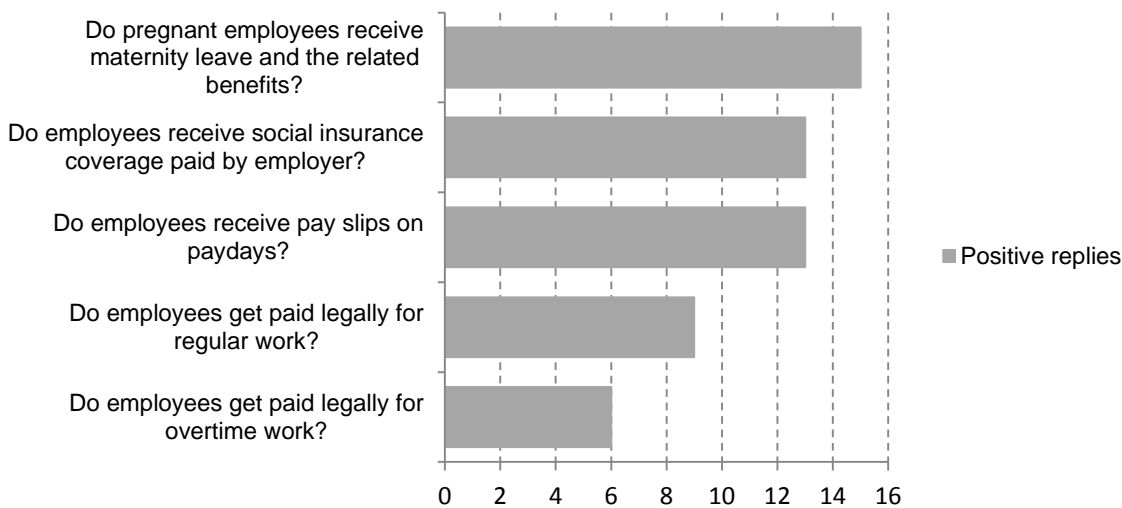


FIGURE 10. Respondents' current practice on compensation

In China, the minimum wage differs from province to province. However, in January 2012, the regulated minimum wage in 32 provinces by the state law was updated as can be seen in Table 3. Additionally, the labor ministry of Thailand revised the min. payment rate in the beginning of 2012 as well. The updated min. wage rate in different provinces of Thailand can be seen in the following Table 4. In Turkey, according to the announcement by the national news agency (Anadolu Agency 2012), the Turkish government set the min. wage for the employees above 16 years at 701.10 Turkish liras for the first half of 2012 and at 739.8 Turkish liras for the second half of the year.

TABLE 3. Legal min. wage rate in 32 provinces of China in 2012 (Li 2012)

Province	Min. wage/month in CHY	Province	Min. wage/month in CHY
Shenzhen	1500	Sichuan	1050
Shanghai	1450	Neimenggu	1050
Tianjin	1310	Hunan	1020
Zhejiang	1310	Anhui	1010
Guangdong	1300	Shaanxi	1000
Beijing	1260	Jilin	1000
Shandong	1240	Guangxi	1000
Xinjiang	1160	Gansu	980
Jiangsu	1140	Yunnan	950
Shanxi	1125	Tibet	950
Hubei	1100	Guizhou	930
Ningxia	1100	Qinghai	920
Fujian	1100	Heilongjiang	880
Liaoning	1100	Chongqing	870
Hebei	1100	Jiangxi	870
Henan	1080	Hainan	830

TABLE 4. Legal min. wage rate in Thailand, effective on 1 April 2012 (Ministry of Labor 2012)

Min. wage/day in BAHT	Province	Min. wage/day in BAHT	Province
300	Bangkok, Nakorn Pathom, Nonthaburi, Pathum Thani, Phuket, Samut Prakarn, and Samut Sakorn	241	Chumpon, Patthalung, Loei, Satun and Srakaew
273	Chonburi	240	Prajuabkirikhan, Yala, Samut Songkram and Surat Thani
269	Chachoengsao and Saraburi	239	Narathiwat, Udon Thani and Ubon Ratchathani
265	Phranakorn Sri Ayudhdhaya	237	Nakorn Nayok and Pattani
264	Rayong	236	Trad, Buengkal, Lampoon and Nong Khai
259	Phang Nga	234	Kamphaengpetch and Uthai Thani
258	Ranong	233	Kalasin, Khon Kaen, Chainart and Suphan Buri
255	Nakorn Ratchasima and Prajeenburi	232	Chiangrai, Nakorn Sawan, Buriram, Petchaboon, Yasothorn, Roi-ed and Sakon Nakorn
254	Lopburi	230	Chaiyaphoom, Mukdaharn, Lampang, Sukothai and Nongbualampoo
252	Kanjanaburi	229	Nakorn Panom
251	Chiangmai and Ratchaburi	227	Pichit, Phitsanulok, Phrae, Mahasarakham, Mae Hong Son, Amnartcharoen and Utraradit
250	Chanthaburi and Petchburi	226	Tak and Surin
246	Songkhla and Singburi	225	Nan
244	Trang	223	Srisaket
243	Nakornsrihammarat and Ang Thong	222	Phayao

Table 5 describes the current performance of the respondents in terms of the min. payment/month to the employees in comparison to the legal regulations in the corresponding countries. It can be easily noticed that a number of six suppliers perform outside the legal regulations. They are the suppliers from the provinces of Shandong, Zhejiang and Guangdong in China, and the respective payment amounts are highlighted in bold in Table 5.

TABLE 5. Respondents' current practice on the min. payment/month

Country (Currency)	Factory location in province of China & Thailand	Suppliers	Min. wage paid/month by supplier	Legal min. wage/month in 2012
China (CHY)	Hebei	Supplier 1	1300	1100
	Shandong	Supplier 2	1200¹	1240
		Supplier 3	1240	1240
	Jiangsu	Supplier 4	1140	1140
		Supplier 5	1500	1140
	Zhejiang	Supplier 6	1300¹	1310
		Supplier 7	1100¹	1310
	Guangdong	Supplier 8	2500	1300
		Supplier 9	2500	1300
		Supplier 10	1100¹	1300
		Supplier 11	1100¹	1300
		Supplier 12	950¹	1300
Thailand (Baht)	Samut Prakarn	Supplier 13	7800	7800
		Supplier 14	7800	7800
Turkey (TRY)		Supplier 15	739.8	739.8

1) Non-compliant practice by local regulations.

In China, as per the regulation of the national labor law, the compensation rates for the overtime work in the condition of regular working day, weekend and public holiday are 150%, 200% and 300% on the regular payment/hour respectively (The Central People's Government of the People's Republic of China 2005). Meanwhile, according to the Thailand Labor Protection Act of 1998, every employee receives a compensation of 150%, 200% and 300% on the regular payment/hour for the overtime work on a regular working day, weekend and public holiday (International Labor Organization 2012b). The compensation rates in Thailand are regulated the same as the ones in China. Both the Chinese Labor Law and the Thai Labor Protection Act have no regulation regarding the compensation for the overtime on the nightshift. Additionally, Turkish Labor Law (2005) states that the compensation for each hour of the overtime work shall be at one and a half times the normal hourly rate. There is, however, no specification on the compensation in different overtime occasions.

Table 6 unveils the current practice of the respondents in comparison with the local legal regulations on the overtime compensation. Surprisingly, there are only a number of six suppliers that currently operate in respect of the local regulations on the overtime payment. In the mean time, six respondents perform outside the legal framework, and three respondents decline to disclose the overtime payments. The replies indicating non-compliant practice are highlighted in bold in table 6.

TABLE 6. Respondents' current practice vs. local legal regulations on overtime compensation

Country (Currency)	Factory location in province of China & Thailand	Suppliers	Practice of suppliers				According to the local laws and regulations			
			Regular working day (% on one regular working hour)	Sunday (% on one regular working hour)	Holiday (% on one regular working hour)	Night shift (% on one regular work- ing hour)	Regular working day (% on one regular working hour)	Sunday (% on one regular working hour)	Holiday (% on one regular work- ing hour)	Night shift (% on one regu- lar work- ing hour)
China (CHY)	Hebei	Supplier 1	50 CHY¹	50 CHY¹	50 CHY¹	80 CHY¹	150%	200%	300%	N/A
	Shangdong	Supplier 2	150%	200%	300%	N/A	150%	200%	300%	N/A
		Supplier 3	No reply	No reply	No reply	No reply	150%	200%	300%	N/A
	Jiangsu	Supplier 4	50%¹	100%¹	200%¹	N/A	150%	200%	300%	N/A
		Supplier 5	150%	200%	300%	N/A	150%	200%	300%	N/A
	Zhejiang	Supplier 6	100%¹	200%	300%	150%	150%	200%	300%	N/A
		Supplier 7	No reply	No reply	No reply	No reply	150%	200%	300%	N/A
	Guangdong	Supplier 8	150%	200%	300%	100%	150%	200%	300%	N/A
		Supplier 9	150%	200%	300%	N/A	150%	200%	300%	N/A
		Supplier 10	No reply	No reply	No reply	No reply	150%	200%	300%	N/A
		Supplier 11	150%	200%	300%	N/A	150%	200%	300%	N/A
		Supplier 12	100%¹	200%	300%	150%	150%	200%	300%	N/A
Thailand (Baht)	Samut Prakarn	Supplier 13	100%¹	200%	300%	N/A	150%	200%	300%	N/A
		Supplier 14	150%	200%	200%	N/A	150%	200%	300%	N/A
Turkey (TRY)		Supplier 15	50%¹	50%¹	50%¹	50%¹	150%	150%	150%	150%

1) Non-compliant practice by local regulations.

Disputed subject –working hours

The third most arguable subject revealed from the survey result is the working hours. According to the regulations by BSCI (2009a), the supplying company shall perform within the legal framework at the local level in terms of the max. regular working hours and the overtime hours imposed on the employees. It further states that the max. working hours shall not exceed 48 hours/week while the overtime are limited to 12 hours/week (BSCI 2009a). Figure 11 depicts the replies to the respective questions. It demonstrates that all the 15 respondents operate in compliance with the regulations of the local law in the aspects of the number of working days/week and the provision of one off-work day/week. On the other hand, the number of working hours/day and the amount of overtime hours/day are revealed to be the less compliant matters as per the replies.

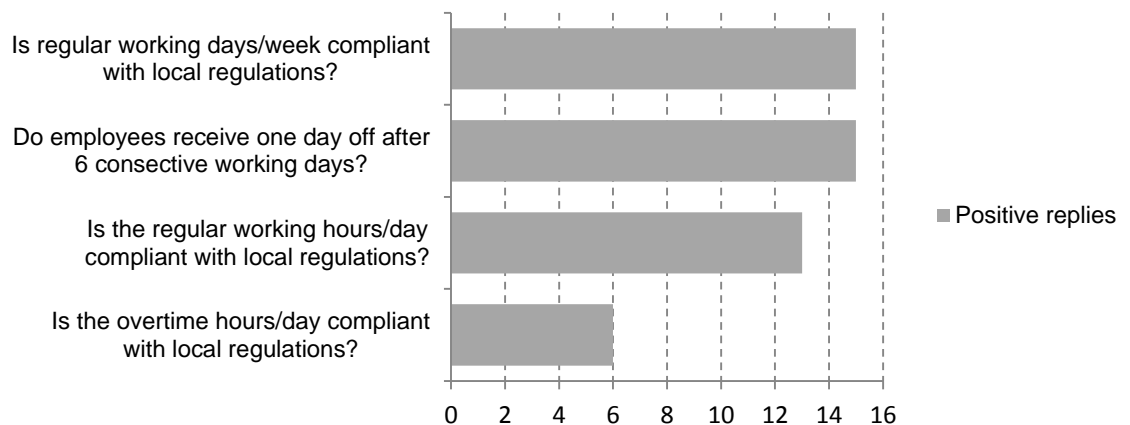


FIGURE 11. Respondents' current practice on working hours

According to the national labor law of China, the regular working time is restricted to 44 hours/week and the overtime hour is set at 9 hours/week at maximum (The Central People's Government of the People's Republic of China 2005). In Thailand, the max. working hour shall not exceed 48 hours/week and the overtime hour at 36 hours/week (International Labor Organization 2012b). Meanwhile, the Turkish Labor Law (2005) regulates that employees are not allowed to work over 45 hours/week for the regular work, whereas 270 hours/year, equalling to it 5 hours/week, for the overtime work. Table 7 presents an overview on the respondents' current practice in comparison with the requirements of the local laws and the BSCI regulation on the number of working hours for the regular and the overtime works.

TABLE 7. Respondents' current practice vs. local laws and BSCI regulations on the regular hours and overtime hours performance

Country	Factory location in province of China & Thailand	Suppliers	Regular working hours			Overtime hours		
			Working hours /week	Legal max. working hours/week	BSCI regulated max. working hours/week	Overtime hours /week	Legal max. overtime hours /week	BSCI regulated max. overtime hours /week
China	Hebei	Supplier 1	30	44	48	No over-time	9	12
		Shangdong	Supplier 2	40	44	48	10¹	9
	Supplier 3		48¹	44	48	8	9	12
	Jiangsu	Supplier 4	40	44	48	20¹	9	12
		Supplier 5	40	44	48	6	9	12
	Zhejiang	Supplier 6	40	44	48	12¹	9	12
		Supplier 7	40	44	48	No reply	9	12
	Guangdong	Supplier 8	40	44	48	14¹	9	12
		Supplier 9	40	44	48	24¹	9	12
		Supplier 10	51¹	44	48	12¹	9	12
		Supplier 11	40	44	48	4	9	12
		Supplier 12	40	44	48	12¹	9	12
Thailand	Samut Prakarn	Supplier 13	48	48	48	10	36	12
		Supplier 14	48	48	48	12	36	12
Turkey		Supplier 15	45	45	48	18¹	5	12

1) Non-compliant practice by local regulations.

In terms of the working hours for the regular work, it can be seen that two respondents are found to operate outside the corresponding local regulations, of which, however, one supplier is categorized to operate against the BSCI regulated 48 hours/week. On the other hand, regarding the working hours for the overtime work, only a number of six respondents demonstrates the legal performance, and a significant number of eight suppliers are however identified to currently operate in conflict with the local laws. Interestingly, out of the eight non-compliant suppliers, there are three of them that perform within the BSCI regulation by setting the overtime/week at 12 hours despite the explicit contradiction with the local laws. During the data collection process, one respondent declined to disclose the overtime hours in the factory, marked as 'no reply' in the table. All the non-compliant practice of the respondents regarding the regular working and the overtime hours are highlighted in bold in Table 7.

Disputed subject –Child labor / young employees

As per the latest statistics by the International Labor Organization (2012a), over 215 million of children worldwide are employed illegally and work in a hazardous condition. In China, employees aged below 16 years are categorized as child labor (The Central People's Government of the People's Republic of China 2005). Similarly, the Thai government states that a boss is prohibited from employing a child under the age of 15 years (International Labor Organization 2012b). Additionally, as per the Turkish Labor Law (2005), children aged below 14 years are not allowed to hire. In the meantime, BSCI (2009a) regulates the employees aged below 14 years are regarded as the child labor and the ones at the age from 14 to 18 years are young employees. Young employees are subject to the protection in terms of the working hours, rest time, compulsory education and the combined amount of working and studying hours. However, as can be seen in Figure 12, all the respondents are aware of the issue about the child labor and none of them employs the labor force outside the legally regulated working age. As a matter of fact, the performance of the respondents in terms of the treatment of young employees is not well recognized.

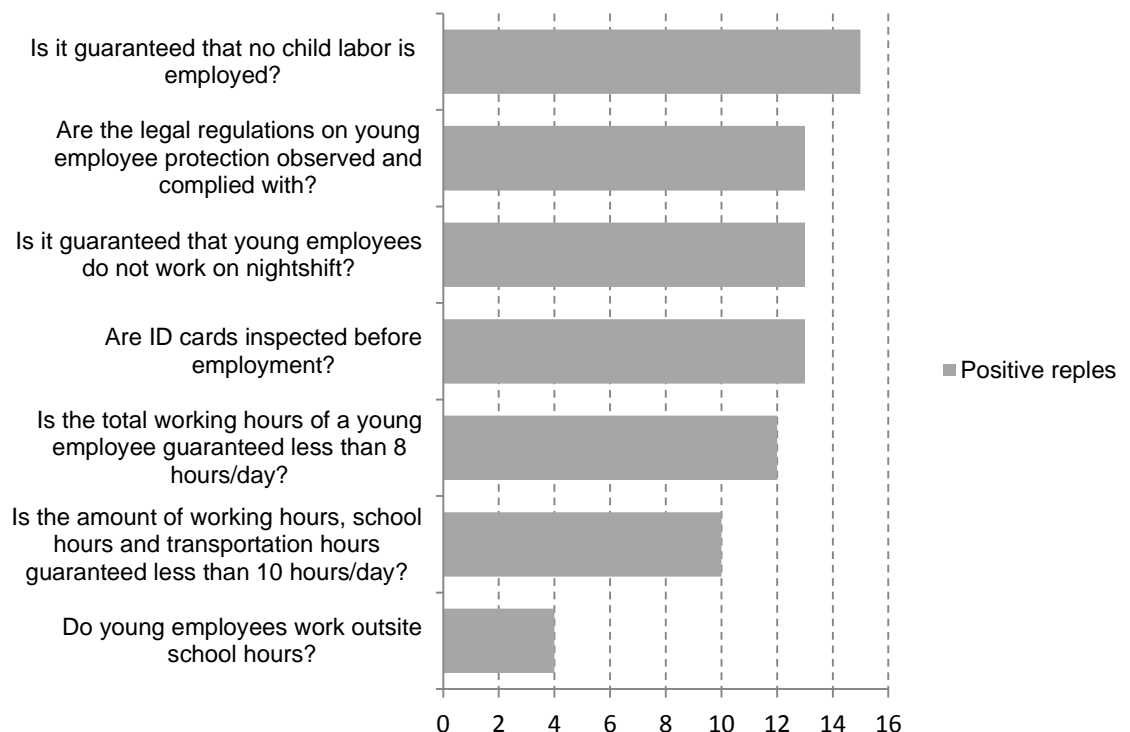


FIGURE 12. Respondents' current performance on child labor / young employees

Analyzed from the replies to the seven questions in Figure 12, only a number of four respondents allow the young employees to work outside the school hours, whereas the others operate to the contrary, which proves to be the least desired practice within the current studied social subject. The other practice that is regarded less desired is related to the number of working, studying and transporting hours/day for the young employees. According to the statement by BSCI (2009a), the total amount of working, studying and transporting hours per day shall not exceed 10 hours for a young employee. From the analysis of the answers, ten suppliers perform within the regulation at the current stage, and the other five, however, do not.

After the analysis of the 13 sets of the questions, a conclusion was made that only a number of 4 suppliers were considered to be ready to move forward with the coming BSCI social audits while as significant as 11 suppliers were assessed to be least prepared and not able to go for the audit at the moment.

6.3 Interview findings

Based on the survey result, 2 out of the 15 responding suppliers were selected for the interviewing process. They represent two groups of the suppliers that are categorized as 'ready' and 'not ready' for the coming BSCI audit.

Due to the confidentiality of the supplier information, the name of the suppliers to have been interviewed are not disclosed in the thesis, but will be coded as S1 and S2, standing for supplier 1 and supplier 2. Supplier 1, as one of the key suppliers of the case company, is located in Taiwan, accounting for 15% of the total import of the companies from risk countries on a yearly basis, and represent the group of 'not ready', whereas supplier 2, situated in Thailand, takes some 2,5% of the yearly importing amount, representing the 'ready' group.

The interview is concentrated on five major questions in order to solicit detailed information from the suppliers in the perception of the CSR and the BSCI. The questions discussed in the interviewing process are shown in the following.

1. What is your knowledge about the currently hot topic of corporate social responsibility?
2. Will you please state the actions your company has taken in the process of working towards a socially responsible company?

3. What are the major problems that your company has encountered in the process of becoming a socially responsible company in reference to the general conditions of the BSCI Code of Conduct? Please justify your answer.
4. Will you please generally describe the popular problems that the companies in your country are nowadays confronted with in the process of working toward being socially responsible companies in reference to the general conditions of the BSCI Code of Conduct? Please justify your answer.
5. Do you think your company will benefit from the BSCI social audit? Please specify.

The analysis of the qualitative data was carried out following the steps of data transcription, categorization by theme, and interpretation. Based on the answers, the qualitative data were categorized into four major themes: environment and workplace safety, employee wellbeing and social rights, production cost and price increase, and the advantages of the BSCI audit. The interpretation of the data based on the four categorized themes is presented in the following text.

Environment and workplace safety

Both of the suppliers have clearly indicated their awareness of the significance of environmental protection and the workplace health and safety issues in the process of the sustainable development of the business. S1 has implemented a series of programs to ensure the safety of the working environment in terms of the disposal of the waste generated from the producing process, the waste recycling and classification, the usage of the reliable and legitimate raw materials, and the maintenance of a safe and healthy working environment for the employees. Meanwhile, S2 emphasized the importance of the waste reduction in the production process, as well as the cutback on the carbon dioxide emission. The manifestation of the CO² reduction from the remarks of S2 is quoted as follows.

In order to cut back on the emission of CO², we reduce the usage of drying oven in food processing by naturally applying sun-dry in a closed room before further drying in the oven (S2).

Employee wellbeing and social rights

In regards to the employee wellbeing and the social rights, S1 pointed it out that in the personnel management, employees were provided with the equal opportunity for further development and promotion in the company with no discrimination in any form allowed. Besides, the workers received salaries or wages on a monthly basis. The company further stated that they were caught in an embarrassing dilemma, which was regarded as the obstacles to move ahead with the coming audit, as can be seen from the following quotation.

The obstacles we are currently encountered with in reference to the general terms of the BSCI Code of Conduct are firstly overtime working hours. Employees from other places hope to have more overtime work to do to get more payment. If the working hours follow strictly the official rules, they will get less payment and may go choose other jobs that can provide more overtime work. Secondly is the social insurance coverage. Employees are not willing to apply for the social insurances because they need to pay the insurance fees as well. Therefore, they may not get the social welfare or the social protection from the government. (S1)

In China, employees working in the factory are, in most cases, from the rural areas. They intend to work overtime and require more opportunity to work outside the regular working hours, as they will get more wages. If the overtime working hour is restricted to 9 hours per week according to the local regulation, they will have to look for other 'attractive' opportunities. Besides, as stated by S1, similarly, employees from the rural places tend not to be willing to pay their part of the amount for the social insurance coverage. In China, in an attempt for employees to gain social insurance coverage, both the employee and the employer should pay their parts of the insurance premium. The factory is willing to pay the amount but the employees are interestingly not. It is mainly due to the fact that employees from the rural areas are aiming to earn more wages for the family sake ignoring the potential risk of no insurance coverage.

As to the implementation of the employee wellbeing and the social rights, no difficulties were identified from the remarks of S2. She highlighted the aspects to maintain the wellbeing of the employees, namely, the legally required payment, safety and health training and discrimination eradication. The supplier makes it clear with the following remarks.

Only when the wellbeing and the safety of the employees are assured in the workplace can they produce qualified products to meet the demand of the customers in a timely and efficient manner (S2).

Production cost and price increase

Interestingly and most importantly, both suppliers indicated the pricy cost arising from the BSCI social audit. The two quotations below from the interview could represent quite a certain number of suppliers encountering the same problem.

To attend the BSCI social audit, we think it will have both advantages and disadvantages we have realized that more and more international companies will consider BSCI audit report as one of the necessary conditions when choosing business partners. However, if everything should be following the rules of the BSCI, the cost and the price of the product will have to be raised and higher prices will weaken our competition. (S1)

We are required by customers to fulfill the terms and conditions of the BSCI Code of Conduct and undergo the BSCI audit. However, the pricy cost is involved and the production cost will increase. In the end, we are not allowed to increase the prices, as customers still want them at cheaper prices. (S2)

Supplier's perception on the advantages of the BSCI audit

Not surprisingly, both of the suppliers have admitted that passing BSCI social audit will bring the competitive advantages to their businesses not only in the domestic market but also overseas, as can be seen from the following quotation.

Passing the BSCI social audit will provide more valuable opportunity to the company in attracting the cooperation with ever more overseas business partners, and receiving more orders from the current customers (S1).

We can see our business will benefit from the BSCI social audit in terms of the business expansion. There is still a gap for us to merge in terms of corporate social responsibility in our business operation. (S2)

7 CONCLUSION

7.1 Main findings

The following chapter presents the main findings from both the quantitative and qualitative researches. The findings in this chapter will be described in an aim to answer the research questions in the following.

1. In the case company, how many suppliers that are located in the risk countries are currently operating in compliance with the BSCI Code of Conduct and can move forward with the BSCI social audit?
2. If the suppliers are not able to reach the BSCI COC standard, what are the barriers that impede them from merging the social gap?

Table 8 demonstrates the current status of the suppliers in the case company in regards to the readiness towards the coming BSCI social audits.

TABLE 8. The status of the studied suppliers on the BSCI social audit

Supplier status		Comments
The audited (3 suppliers)		Three suppliers, located in China, have been BSCI-audited. The audits were initiated by other BSCI member companies. Therefore, Best Friend Group takes no responsibility for the three suppliers in terms of the corporate social performance and the arrangement of the BSCI social audit.
The responded (15 suppliers)	Ready for audit (4 suppliers)	Based on the result from the analysis of the questionnaire, four suppliers are categorized into the 'ready group', who are able to proceed with the upcoming BSCI social audit.
	Not ready for audit (11 suppliers)	Based on the result from the analysis of the questionnaire, a number of 11 suppliers are found to be non-compliant with the BSCI COC. Therefore, the BSCI audit needs to be postponed to a later time for them.
The non-responded (20 suppliers)		In the two-month period after the questionnaire was sent, there were 20 suppliers who never made a reply. Consequently, the status of the corporate social performance about these suppliers is unknown and the BSCI social audit is no way to be carried out for them at the moment.
		Remarks: The case company currently works with 38 suppliers in the risk countries.

The aspects that are found to be difficult and challenging for the suppliers to be compliant with in accordance to the BSCI Code of Conduct are described in the following text.

- **Freedom of association and collective bargaining:** The right of employees to form and join trade unions and social associations out of their own will is an integral part for the society to take on the road of democracy and human right equality. Drawing from the result of the questionnaire analysis, out of the 15 suppliers who answered the questionnaire, there were 5 of them who demonstrated a violation of the social right of the employees on the freedom of association and collective bargaining. Employers are too concerned to allow the employees to form their own unions against the 'peaceful' corporate management and the 'normal' operational process although they are entitled to such rights by the state laws and the regulations.
- **Compensation:** Employees are subject to the right of the equal payment for the equal work. Wages paid for the regular working hours and the overtime hours shall meet at least the legal minimum or the industry standard (BSCI 2009a). However, as per the survey findings, a number of 10 respondents were found to be non-compliant with the local regulations in terms of the compensation for the work completed by the employees, marked as one of the strong incompliant factors among the 13 social subject studied in the survey.
- **Working hours:** The supplying factory shall operate in accordance with all the applicable laws and the industry standard on the number of the working hours and the overtime hours. The requirement and the legal regulations differ from country to country. The survey result indicated that 10 suppliers did not live up to the legal requirement by forcing their employees to work outside the allowed regular number of the working hours or the overtime hours. The reason being is that the widespread phenomenon of the shrinking labor force yet the increasing order amount make the suppliers to risk the violation of the state laws requiring the employees to work outside the legally allowed number of hours in order to assure the order being delivered on time.
- **Young employees' rights:** It can be seen that all the studied suppliers did not demonstrate any violation of the child labor employment. However, the rights entitled to the young employees and the measures to protect such employees were not fully observed and implemented by most of the suppliers.

From the survey findings, there were five suppliers found to have violated the social rights entitled to the young employees through requesting them to work more than the legally required amount of work time – 8 hours. Meanwhile the right of the formal education for the young employees was indirectly deprived of by requiring them to work during the time, which is meant for school.

The reasons why suppliers are less willing to cooperate with the case company and go through the BSCI social audit are discussed as follows.

- **Production cost and price increase:** It can be seen from the interview findings that the suppliers have admitted the positive aspects brought along by passing the BSCI social audit, and at the same time, recognized the shortcomings as well. BSCI social audit is not meant to be free of charge but rather costly. Furthermore, it is not a one-time deal. Auditors would come and inspect the factories every three years to ensure that the social and environmental compliance are maintained at the factory level in a continuous manner. Therefore, the production cost will increase, which would lead to the rise of the sales prices for the suppliers. However, according to the responses from the interviewees, customers are very sensitive to the price increase despite the social performance level of the factory being upgraded to a higher notch. Therefore, suppliers are concerned about the deprivation of the competitive advantage of the pricing level they are currently holding onto after the BSCI social audit.
- **Employee wellbeing and social rights:** From the analysis of the interviewing cases, the protection of the employees' wellbeing and the social welfare cannot be guaranteed by raising the awareness of the employers only, but most importantly, of the employees as well. As it was said from one interviewee in China, some of their employees were not willing to pay their share of the rate to get the insurance coverage although the employer was eager to pay their part. Apart from that, employees were looking for the overtime work to get more payment to support the family regardless of the limit of the overtime hours regulated by the local laws. There are millions of such employees in China who are from the suburbs of a city. Their awareness of the social rights is not strong enough to realize that their rights are actually infringed and at risk.

- **The business transaction volume with the suppliers:** During the data collection process, over three suppliers promised to answer the questionnaire and agreed to go through the BSCI audit as long as they would get an order from the case company in the near future. There are 38 suppliers, based in the risk countries, which are in partnership with Best Friend Group. As a matter of fact, the import volume of the case company from the risk countries accounts for only about 28% of the total import amount in 2011. Noticeably, the transaction volume with the suppliers in the risk countries is slightly small compared to the one inside the EU area. Out of the 38 suppliers, there are only four suppliers that are regarded to be in the strategic business relation with the case company, judged based on the transaction amount in 2011. Unfortunately, none of them has been BSCI audited. However, for the rest of the suppliers including the three to have gone through the BSCI audit process, the transaction volume is rather limited. Due to this reason being, the suppliers are not willing to cooperate for the audit, as the benefit generated from the mutual collaboration is not significant, nor guaranteed.

7.2 Research summary

Best Friend Group is fairly inexperienced in the scrutiny of the suppliers in the aspect of the ethical management and the implementation of the social values into the supply chain. Joining BSCI and organizing BSCI social audit on the suppliers situated in the risk countries triggers the development of the case company on the front of the supply chain management in line with the social and environmental standard. The objective of the thesis is to present an overview of the suppliers regarding the social status as per the BSCI Code of Conduct as well as discover their readiness for the coming BSCI social audit.

The academic research was conducted in combination of the quantitative and the qualitative research methods, that is to say via the questionnaire and the interview. The purpose of the questionnaire is to study the level of the suppliers regarding the social performance and their readiness for the upcoming social audit. In the meanwhile, the interview was applied to further the analysis and identify the obstacles that prevent the suppliers from being socially and environmental compliant. The research targets are the active suppliers of Best Friend Group, located in the countries where the social and environmental values carry a high risk if overlooked in the business operation.

As a result, out of the 38 active yet ethically risky suppliers, 3 suppliers are found to be audited by other BSCI members while 4 suppliers are able to proceed with the coming audit, leaving 11 suppliers found less prepared and 20 suppliers showing no interest at the current stage. In reference to the BSCI member company commitment formula, Best Friend Group should have 13 suppliers go through the audit within the first 3,5 years after joining BSCI, that is to say the goal has to be achieved by the year of mid-2015. As far as the research result is concerned, the target can be hit on condition of a gap of 10 suppliers (excluding the 3 has-been audited suppliers) being merged in the next 2,5 years.

7.3 Recommendations for Best Friend Group

The research findings reveal that Best Friend Group still has a long path to go before being fully recognized as a socially responsible company. In order to catch up with the BSCI commitment model and achieve the target of having one-third of suppliers converted from the least socially concerned to be good practice in the social performance by mid-2015, below are a few points that the managing group of Best Friend Group could take into consideration.

- Categorize the target suppliers by the business size. The larger the business is in scale, the more responsibilities are expected by the stakeholders. Therefore, the suppliers of larger scale in operation should be labeled as the key suppliers who should undergo the BSCI auditing process within the next 2.5 years. For the ones that are relatively small in size, more time shall be granted as well as the chance for the socially related training session of the BSCI workshops be provided.
- A BSCI implementation plan should be established as well as a communication plan with the suppliers. Best Friend Group should formulate an implementation plan to supervise the development and the progress of the BSCI social audit project. The suppliers need to be communicated clearly enough to understand the seriousness of the issue, and be informed the mutual cooperation would be affected if the non-cooperation with the BSCI audit is demonstrated.
- Best Friend Group should prioritize the cooperation with the suppliers that have been BSCI audited or the ones who are willing to undergo such a process when starting a new business relationship.

- Best Friend Group is recommended to appoint a person to undertake the responsibility of monitoring the social performance level of the company in general as well as the development of the BSCI social audit. In doing so, the social development process will become more evident and maintained on the right path.
- Cultivate a decent corporate reputation and image by promoting the socially responsible side of the company via the tool of the public relation. Make the public aware of the commitment and the effort the company has put into transforming itself to a social-and environmental-friendly company.

7.4 Suggestions for further research

The current study is only a scratch of the heated topic of the corporate social performance, integrated with the case study of the BSCI social audit initiation at Best Friend Group. Although the data was collected via the combined methods of the quantitative and the qualitative research, there are a few aspects that can be researched further in the future studies. In this chapter, the aspects concerned will be described.

In the first place, the research contained only two interviews in the qualitative study, basically due to the time limit. The sample size can be extended to a wider range of the target suppliers for study in the future. With the larger size of the sample, more challenging factors and obstacles encountered by the suppliers in the process of the corporate social compliance will be spotted, as well as the major and crucial ones can be identified. Nevertheless, a large sample size will offer a comprehensive and in-depth study of the case.

Secondly, the study of the perspectives of the corporate personnel about the topic of CSR and BSCI social audit was not touched in the current research, which can be combined in the further study. Joining BSCI and carrying out the BSCI social audit on the target supplier might affect the work situation of the personnel in the departments of the purchase, product management, customer services and design. Listening to their point of views and being aware of the systematic change brought along to the corporate operation are of crucial and meaningful gesture for the sustainable development of the company in a socially responsible manner.

Thirdly, the obstacles identified in the current research can be used to further the study in the quantitative form, that is to say, to study the correlation between the spotted ob-

stacles and the suppliers. For instance, undertaking the BSCI social audit will increase the cost for the suppliers. However, the question is whether all the suppliers would increase the sales price after being audited.

7.5 Summary of the thesis work process

The thesis topic was decided in the late October 2011 and the work was meant to be finished in May 2012. However, due to the lack of experience in time management between the thesis and the work, and the time spent on searching for the reference materials, the thesis got written up only in March 2012. Hereunder in Table 9 is a brief overview of the thesis work process.

TABLE 9. Thesis work process

April – August 2011	Internship at Best Friend Group Oy
October 2011	Thesis subject decided and topic plan presented in the thesis seminar
March – April 2012	Writing up thesis – theoretical part
May – September 2012	Processing the data collection and analysis – questionnaire and interview
October 2012	Writing up thesis – research result presentation
Nov – Dec 2012	Finalizing the thesis process

From my personal perspective, the thesis reaches its main objective by providing an overview of the current social status of the suppliers situated in the risk countries as well as the barriers that separate the suppliers from being good practice from the social perspective. Besides, the research methods used in the thesis are considered to be relevant and assisting in achieving the purpose of the research.

However, like all the practical researches, there is always room for improvement. The research itself contains setbacks, which could have been done in a better way. First of all, due to the time restriction, the sample size in the qualitative part of the study was not adequate enough for the generalizability of the concluded obstacles in the process of the social compliance for the suppliers. Additionally, in soliciting the responses from the survey, if more time was provided, more responses would have been obtained, which would lead to a bigger information pool for analysis. In that way, more challenging fac-

tors would be identified, as well as the factor prioritization could be arranged. Secondly, the design and the layout of the survey could have been done in a more satisfactory fashion. The questionnaire was created based on the BSCI audit questionnaire but could have been developed by integrating a number of open questions into the 3rd part of the questionnaire. In doing so, the viewpoints of the respondents behind the 'yes'/'no' answers could be studied. Other than the design, the layout of the questionnaire can be improved by leaving enough space for the answers and bringing the text alignment to the same direction, leading to a better user interface. Positively, with the kind help and the generous support from the supervisors both in school and at work, the thesis work comes nearly to a closure. The hands-on experience of the CSR implementation into the corporate supply chain management is of high value and serves as an insightful piece of asset for my future career as well as for the further academic study.

Final remarks

The subject of the thesis about the corporate social responsibility is rather a hot topic to date. Businesses worldwide especially in the western countries carry out internal inspection in order to cater to the changing demand of the various stakeholders. It is widely admitted that the corporate operation in a socially responsible manner would be a million-dollar business provided the ethical management and supervision is implemented in a proper way. It is challenging yet fruitful.

ABBREVIATIONS

BFG	Best Friend Group Oy
BSCI	Business Social Compliance Initiative
BSCI COC	Business Social Compliance Initiative Code of Conduct
CAP	Corrective Action Plan
CSR	Corporate Social Responsibility (in a broad sense)
CSR ₁	Corporate Social Responsibility (in a narrow sense)
CSR ₂	Corporate Social Responsiveness (in a narrow sense)
ETS	Emissions Trading System
ERP System	Enterprise Resource Planning System
EU	European Union
FTA	Foreign Trade Association
GRI	Global Reporting Initiatives
ILO Core Conventions	International Labor Organization Core Conventions
QMS Certificate	Quality Management System Certificate
SAAS	Social Accountability Accreditation Services
SAI	Social Accountability International
TBL	Triple Bottom Line
UNGC	United Nations Global Compact
VPG	Vital Pet Group

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Appendix 1. The invitation letter to the survey

Dear Mr./Ms. XXX,

We are honored to inform you that Best Friend Group has officially become a member of BSCI in September 2011 and dedicated to a social-friendly sustainable development in the years ahead.

Nowadays, consumers are interested in the ethical issues arising from the manufacturing factories in the developing countries more than any other time in the history. Companies that fail to operate ethically will encounter a risk of corporate reputation being questioned and loss of sales eventually. Therefore, Best Friend Group would like to collaborate with all our suppliers to assure our mutual benefits will not be jeopardized on account of the social reasons.

Business Social Compliance Initiative, shortened as BSCI, established in Brussels in 2002, is a social organization assisting companies, especially European companies, to monitor and improve the working conditions of the sourcing countries where human rights are vulnerable and questioned. Therefore, suppliers located in the risk countries (please visit link <http://www.bsci-intl.org/resources/rules-functioning> for BSCI risk country list) are subject to complying with BSCI Code of Conduct and going through BSCI social audit. For more information about BSCI, please visit BSCI official website at the link www.bsci-intl.org.

BSCI Code of Conduct is hereby attached within this email for your reference.

In the attached, you will also see a document of Supplier Pre-audit Questionnaire. The questionnaire is used to evaluate the current level of all our suppliers in terms of corporate social performance. The questionnaire consists of three sections: Company data, Production unit(s), and BSCI Social requirements. Please complete the questionnaire with the authentic information about your company and have it returned at your best convenience before June 26, 2012.

Should any questions arise, please do not hesitate to contact me. I can be reached via the contact info provided below.

We are looking forward to your reply and sincerely appreciate your commitment to becoming a socially responsible supplier of our company.

Best regards,
Yuan Qi

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Appendix 2. Questionnaire

Section A: Master data

A1 Company location

Company name _____
 Year of foundation _____
 Company website _____
 Company property address _____
 Street name _____ City _____ Zip code _____
 Country _____

Contact person

Name _____ Position _____ Phone _____
 Fax _____ Email _____
 Business activities with Best Friend Group Oy _____

A2 Business structure

Number of production unit(s) _____
 Number of subcontractors _____ or None
 Number of suppliers/sub-suppliers _____ or None

A3 Company sales figures

Total capacity/month _____ Unit of measurement _____
 Share of sales revenue for export and domestic market during the past 2 years

	Export	Domestic
Year 2011 (USD)	_____	_____
Year 2012 (USD)	_____	_____

A4 Company structure

	1	2	3	4
Department	_____	_____	_____	_____
Number of employees	_____	_____	_____	_____

	5	6	7	8
Department	_____	_____	_____	_____
Number of employees	_____	_____	_____	_____

Employees in total _____
 Female employees _____
 Male employees _____
 Young employees aged 15 – 18 years _____

Dormitory provided Yes No
 If yes, number of employees living in the dormitory _____

A5 Social audit history

Has BSCI social audits been conducted in your company? Yes No
 If yes, please indicate who conducted the audit _____
 If yes, please send us a copy of the audit report _____

Has your company been certified with SA8000? Yes No

If yes, please indicate who conducted the audit _____

If yes, please send us a copy of the certificate _____

Has your company been certified / audited by other social standards? Yes No

If yes, please indicate what social standard it is _____

If yes, please indicate who conducted the audit _____

If yes, please send us a copy of the certificate _____

Section B: Production unit(s)

Production unit No. 1 Self-owned Subcontractor

Name _____

Street _____ City _____ Zip code _____

Country _____

Contact person

Name _____ Position _____ Phone _____

Fax _____ Email _____

BSCI audited? Yes No

If yes, please indicate who conducted the audit _____

If yes, what is the audit result Compliant Improvement needed Not applicable

If yes, please send us a copy of the audit report and check the box ->

Note: on the research questionnaire, there were nine repetitive sections similar to Production Unit No. 1 for respondents to fill up based on the number of the manufacturing units they have. However, in order to save the space and avoid repetitive information in the appendix, the repeated questions about production No. 2 till No. 9 are omitted.

Section C: Company social performance data by BSCI Code of Conduct

C1. Legal compliance

Supplier company shall ensure the compliance will all applicable laws and regulations, industry standards, ILO and UN conventions and other requirements applicable to the industry with respect to human rights, children's rights, legal payment, and elimination of the discrimination in all forms.

Yes, all applicable laws and regulations are respected and complied within our company

No, not all applicable laws and regulations are respected and complied within our company

If no, please specify what laws or regulations are found difficult to abide by for your company

C2. Freedom of association and collective bargaining

2.1 Are the employees in your company free to join, form, and organize independent workers' unions without previous authorization of the company? Yes No

2.2 Do representatives of the free and independent workers' organizations have access to their members in your company within the legal framework? Yes No

2.3 Are your employees allowed to bargaining collectively with your company within legal frame-works? Yes No

2.4 If the rights of freedom of association and collective bargaining are restricted by local laws, are similar means of free organization and bargaining allowed by your company? Yes No

2.5 Are your employees allowed to make anonymous complaint about the problems aroused at the workplace? Yes No

C3. Prohibition of discrimination

3.1 Is it guaranteed that there are no discriminations in your company based on gender, age, caste, disability, ethic and national origin, membership in worker' organizations/unions, political affiliation, race, religion, sexual orientation, marital status, family responsibilities, social back-ground, and other personal characteristics? Yes No

3.2 Are all your employees treated equally in terms of compensation, benefits, hiring procedure, job assignment, promotion, training, retirement provisions, and access to services, etc.? Yes No

3.3 Is sexual harassment prohibited in your company? Yes No

C4. Compensation

4.1 What is the minimum wage paid in your company for a regular fulltime employee?

Amount _____/month

Currency _____

What is the legally minimum wage in your country for a regular fulltime employee?

Amount _____/month

Currency _____

Are all employees in your company legally paid? Yes No

4.2 What are the overtime supplements paid in your company?

Overtime payment in case of:

Regular working day _____% of one regular working hour

Sunday _____% of one regular working hour

Holiday _____% of one regular working hour

Nightshift _____% of one regular working hour

What are the overtime supplements required by law in your country?

Overtime payment in case of:

Regular working day _____% of one regular working hour

Sunday _____% of one regular working hour

Holiday _____% of one regular working hour

Nightshift _____% of one regular working hour

Are all employees who work overtime in your company legally paid? Yes No

4.3 Do pregnant employees receive legal maternity benefits and maternity leave in your company? Yes No

4.4 Do you pay the legally required social insurance for all employees? (eg. health insurance, retirement insurance, unemployment insurance, accident insurance and other insurance) Yes No

4.5 Do all employees in your company receive pay slips indicating the amounts of the wage every time on the payday? Yes No

C5. Working hours

5.1 What is the regular number of working hours per one working week in your company?

Hours _____

What is the legal amount of working hours per one working week in your company?

Hours _____

Is the number of working hours per one working day in your company in compliance with your national laws and regulations? (Maximum working hours/week: 48 hours by ILO Conventions)

Yes No

5.2 What is the regular number of working days per one working week in your company?

Days _____

What is the legal number of working days per one working week in your country?

Days _____

Is the number of working days per one working week in your company in compliance with your national laws and regulations? (Maximum working days/week: 6 days by ILO Conventions)

Yes No

5.3 What is the average number of overtime hours per one working week in your company?

Hours _____

What is the legal number of overtime hours per one working week in your country?

Hours _____

Are the overtime hours per one working week in your company in compliance with your national laws and regulations? (Maximum working hours for overtime/week: 12 hours and on a voluntary basis by ILO Conventions) Yes No

5.4 Are all employees in your company provided at least one day off after 6 consecutive working days? Yes No

C6. Workplace health and safety

6.1 Do your company have a representative who takes care of the implementation of health and safety requirements? Yes No

6.2 Is it guaranteed that your employees' health is not endangered by work processes or the working environment? Yes No

6.3 Does your company provide personal protective equipment to employees at the company's cost? (eg. goggles, gloves, earplugs, boots, protective clothing, etc.) Yes No

6.4 Have your employees been informed/trained about the usage of dangerous machinery and/or poisonous substances or chemicals? Yes No

6.5 Does your company arrange health and safety training for all employees after recruitment and regularly during their employment? (eg. the handling of hazardous machinery, chemical, etc.)

Yes No

6.6 Are machinery and power generators equipped with safety measures to protect employees from injuries? Yes No

- 6.7 Are machinery and power generators inspected and maintained to work in good condition regularly? Yes No
- 6.8 Are the steam boilers run by gas, oil, coal or other inflammable fuels installed NOT close to dormitories, emergency escape routes or staircases? Yes No
- 6.9 Are the chemicals or substances/dangerous chemicals or substances properly labeled and safely stored? Yes No
- 6.10 Are high voltage signs properly installed in your company? (eg, main power point, main fuse point, etc.)Yes No
- 6.11 Are power hubs, electricity control station, and fuse box lockable in your company?
Yes No
- 6.12 Are the local emergency phone number clearly marked in your company premises?
Yes No
- 6.13 Is there a fire alarm system installed in your company? Yes No
- 6.14 Is there an adequate number of fire extinguishers/fire fighting equipment installed in your company, and regularly inspected and maintained? Yes No
- 6.15 Are fire and evacuation drills organized in your company regularly at least annually?
Yes No
- 6.16 Are the evacuation plans clearly posted in every workshop of your company?
Yes No
- 6.17 Are the escape routes/emergency exits clearly marked and accessible with no blocks?
Yes No
- 6.18 Are the emergency exits sufficient enough to secure the evacuation of all employees in emergency cases? Yes No

C7. Working conditions

- 7.1 Is the ventilation system properly installed and in use in the production areas of your company?
Yes No
- 7.2 Is the noise level in the workshop of your company acceptable? Yes No
- 7.3 Is the lighting system properly installed and sufficient in the production areas and the offices of your company? Yes No
- 7.4 Are the production areas and the offices cleaned regularly? Yes No
- 7.5 Do your employees have access to adequate number of sanitary toilet facilities, lockable or separated by gender? Yes No
- 7.6 Do your employees have access to clean potable water? Yes No
- 7.7 Do your employees have access to sanitary facilities for food storage, eating or cooking?
Yes No
- 7.8 Do your employees have access to sanitary washing (eg. washing room, showers, etc.) and changing facilities, lockable or separated by gender? Yes No

7.9 Are first-aid boxes available in all necessary areas of your company? Yes No

7.10 Does your company provide medication to employees in emergency cases? Yes No

7.11 Is there an appropriate number of employees in your company trained on first-aid courses by qualified trainers? Yes No

C8 Dormitories

Does your company provide dormitories? Yes No

If yes, please answer the following questions; if no, please move to the next section.

8.1 What is the average living space per each inhabitant in the dormitory of your company?

Space in sqm. _____

What is the legal living space per each inhabitant in the dormitory in your country?

Space in sqm. _____

Is the living space per inhabitant in the dormitory of your company in compliance with the local laws and regulations? Yes No

8.2 Are the dormitories in your company separated from the production area and the warehouse?

Yes No

8.3 Are the dormitories in your company separated by gender? Yes No

8.4 Are the dormitories in your company safe and in compliance with sanitary standards?

Yes No

8.5 Are the parameters such as ventilation, lighting, washing facilities, toilets, etc. applicable for the dormitories of your company? Yes No

8.6 Is there an adequate number of emergency exits available in the dormitories of your company?

Yes No

C9. Child labor / young employees

According to ILO, employees under age 14 are considered to be Child labor, while employees between age 14 and 18 are young employees.

9.1 What is the age of the youngest employee working in your company? Since when he/she has been working for the company?

Age _____

Since which year _____

What is minimum age for employment according to your national laws?

Age _____

Is it guaranteed that your company does not hire employees who are under age 14 or under the legal working age in your country? Yes No

9.2 Are the legal regulations for protection of young employees (eg. educational program, theoretical lessons, working hours, wages, etc.) observed and complied with by your company?

Yes No

9.3 Do young employees in your company work outside school hours when such young employees are subject to compulsory education? Yes No

9.4 Is it guaranteed that the combined hours including working hours, school hours and transportation hours in one day do NOT exceed 10 hours for a young employee in your company?

Yes No

9.5 Is it guaranteed that young employees in your company do NOT work more than 8 hours a day? Yes No

9.6 Is it guaranteed that young employees in your company do NOT work on nightshift?

Yes No

9.7 Is ID card, birth certificate or other documents inspected before an employee is hired?

Yes No

C10. Forced labor / Disciplinary measures / Prisoner labor

10.1 Are the employees in your company allowed to leave the factory premises after completing a standard workday? Yes No

10.2 Are the employees in your company allowed to terminate employment contracts anytime provided a prior notice agreed in the contract is kept? Yes No

10.3 Is it guaranteed that your company does NOT retain employees' personal ID documents (eg. ID cards, passports, birth certificate, etc.) or ask for monetary deposits before allowing such employees to work? Yes No

10.4 Is it guaranteed that your company does NOT withhold employees' salaries, benefits, property, ID documents, etc. to force such employees to continue working for the company?

Yes No

10.5 Is it guaranteed that employees in your company are NOT exposed to corporal punishment, mental or physical threats, verbal abuse or punishments in any form? Yes No

C11. Environment

11.1 Are the effluents generated from the production process treated in compliance with your national laws and regulations to prevent environmental pollution? Yes No

11.2 Are the emissions generated from the production process treated in compliance with your national laws and regulations? Yes No

11.3 Are the waste generated from the production process treated in compliance with your national laws and regulations? Yes No

11.4 Is it guaranteed that the chemicals are stored safely and not leaking onto the ground in your company? Yes No

C12. Management system

12.1 Will your company appoint a senior management representative, irrespective of other responsibilities he/she might have, to ensure the compliance with BSCI Code of Conduct?

Yes No

12.2 Is there any implemented system in your company to identify potential risks for health and safety of the employees and prevent recurrence of work accidents? Yes No

12.3 Is there any implemented system in your company to tackle corruption/bribery in business activities? Yes No

12.4 Are executives, management members and staff aware of their entitled legal rights and obligations? Yes No

12.5 Does your company have a procedure for updating and implementing legal regulations in regards to the matters subject to continuous change? Yes No

12.6 Is the cost accounting method applied in your business activities? Yes No

12.7 Is a capacity planning method applied in your business activities? Yes No

12.8 Do you hire subcontractors for production? Yes No

If yes, please answer the following questions; if no, please move on to the next section.

12.8.1 Will your company forward the BSCI Code of Conduct to your subcontractors and inform them about the requirements? Yes No

12.8.2 Does your company have a system in place to monitor the social performance of your subcontractors? Yes No

C13. Documents

13.1 Is there a written document available in your company which describes the social responsibility of your company in regards to child labor, female employees, discrimination, forced labor, working hours, compensation, working conditions, health and social facilities, safety, freedom of association and collective bargaining? Yes No

13.2 Are employee data files accessible in your company? (eg. copies of ID cards, employment contract, etc.) Yes No

13.3 Is there a working time recording system in place (eg. attendance list, punch and time cards, etc.) where the beginning and the ending of a workday is registered for all employees? Yes No

13.4 Does wage list exist in your company? Yes No

13.5 Do you have work rules applicable for all employees? Yes No

13.6 Does your company document health and safety training sessions? Yes No

13.7 Does your company document dangerous chemicals? Yes No

13.8 Does your company document the equipment inspection activities? Yes No

13.9 Do you have the certificate for the first-aid training activities? Yes No

13.10 Does your company keep records on accidents and injuries? Yes No

13.11 Is a business license available in your company? Yes No

Appendix 3. Responses to questionnaire section three - Company social performance by BSCI Code of Conduct

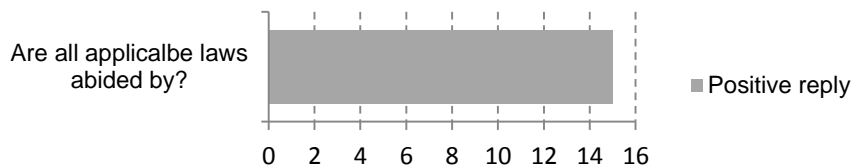
The questionnaire was sent to 38 suppliers. Eighteen responses were received with 15 valid responses and 3 not applicable. The results from the following charts indicate the positive replies to the YES/NO questions of the 13 respective social subjects.

Vertical axis = the questions posed under one subject

Horizontal axis = the number of respondents who gave positive answers to the corresponding question

The result is presented in a decreasing order of the positive replies.

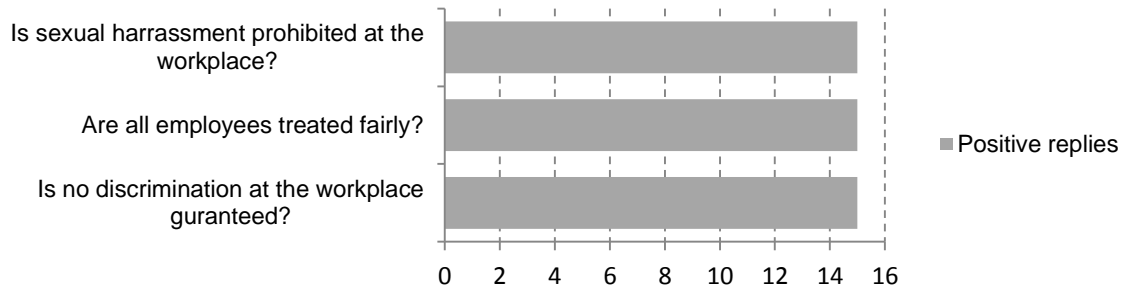
1. Legal compliance



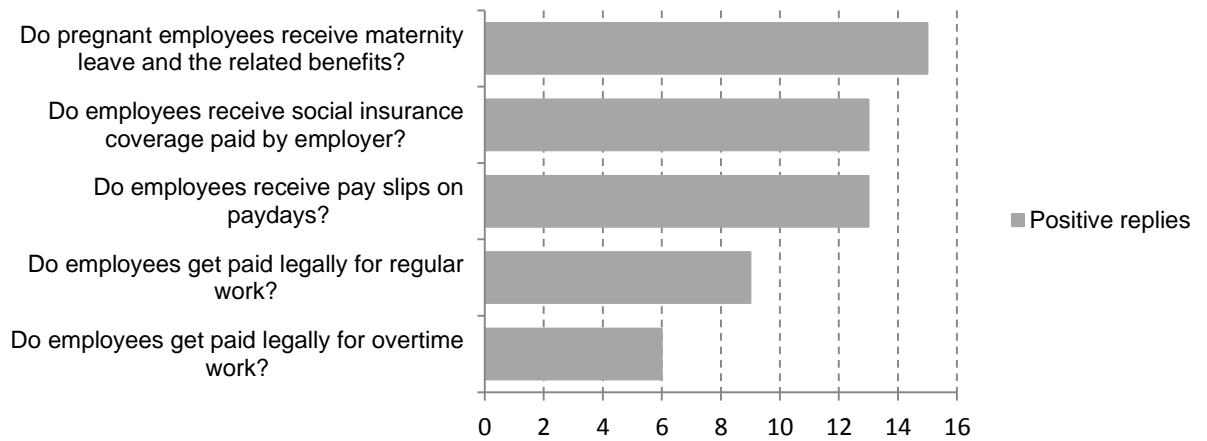
2. Freedom of association and collective bargaining



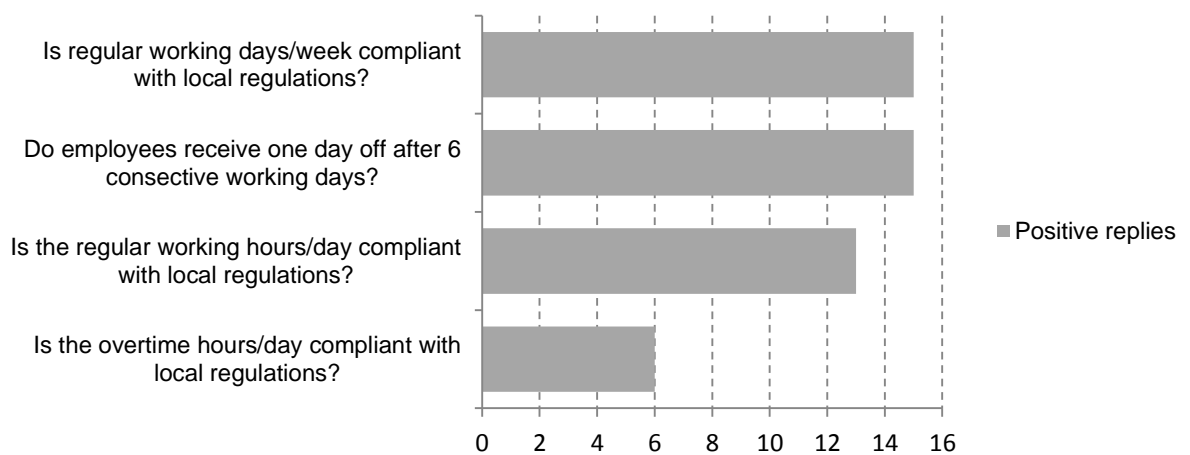
3. Prohibition of discrimination



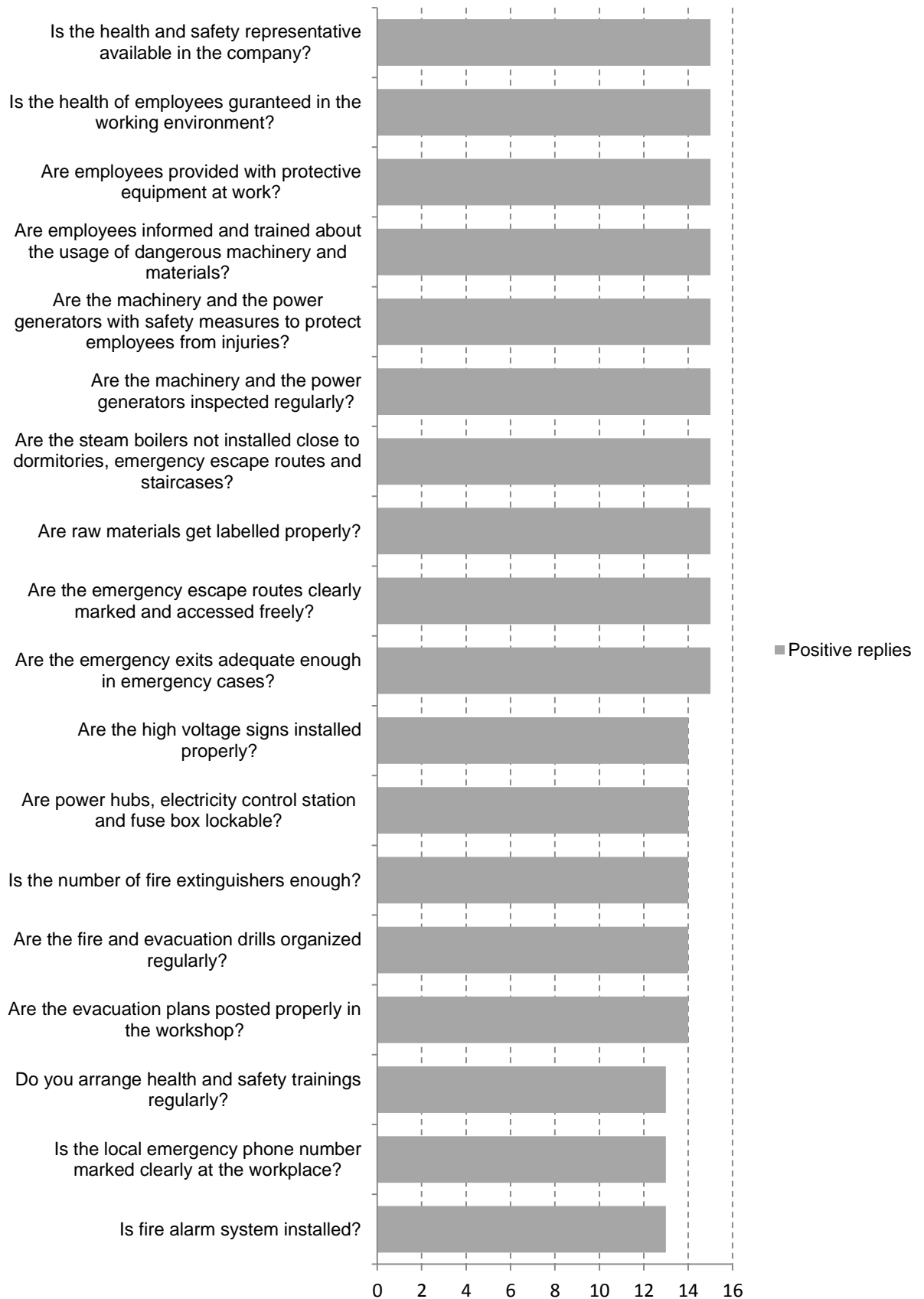
4. Compensation



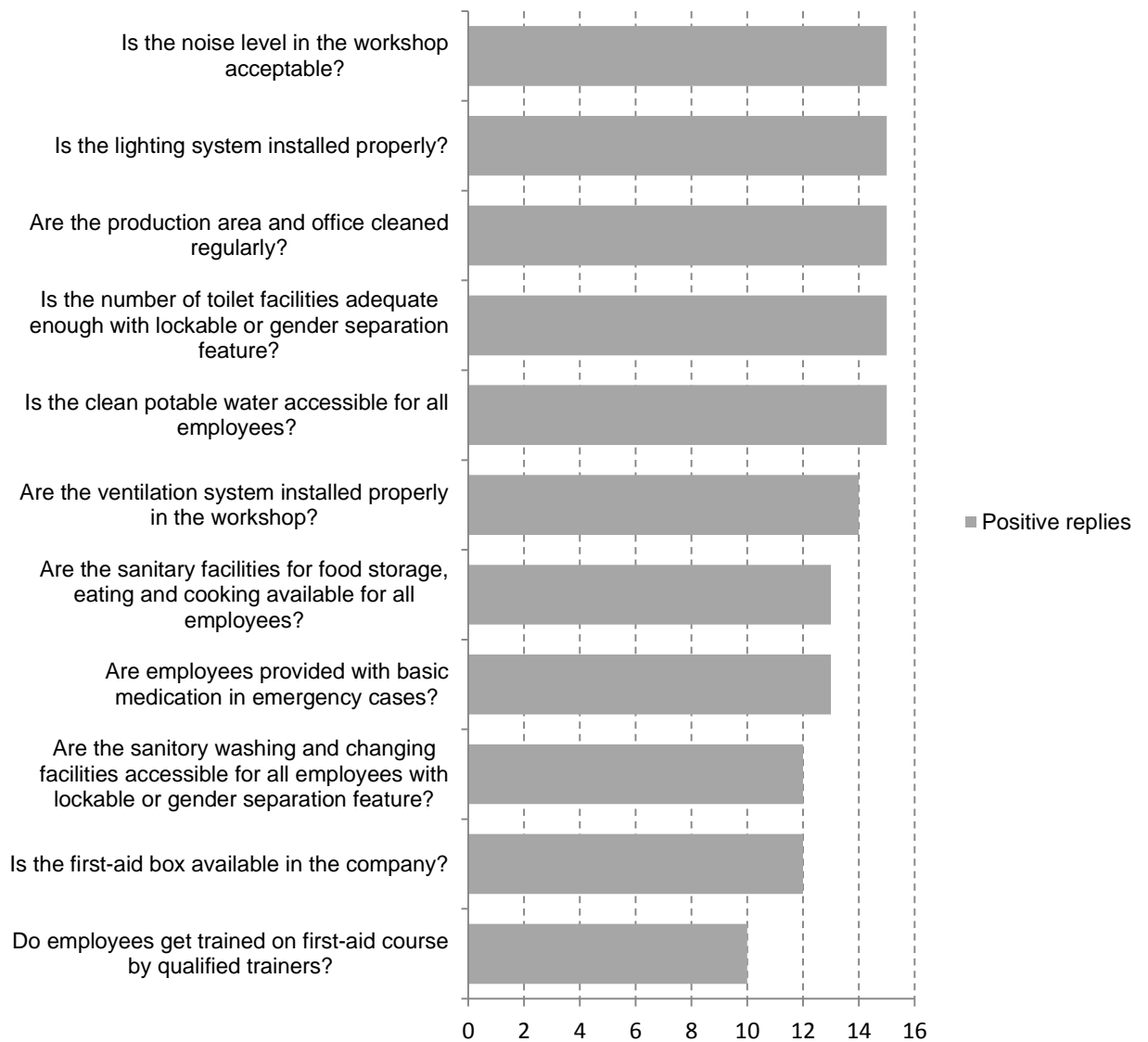
5. Working hours



6. Workplace health and safety

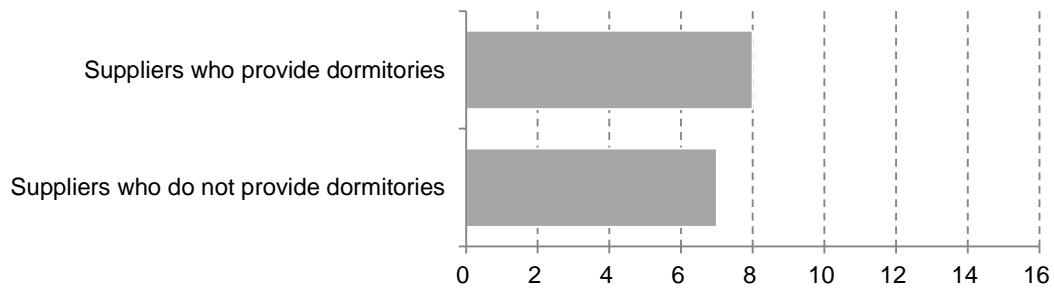


7. Working conditions

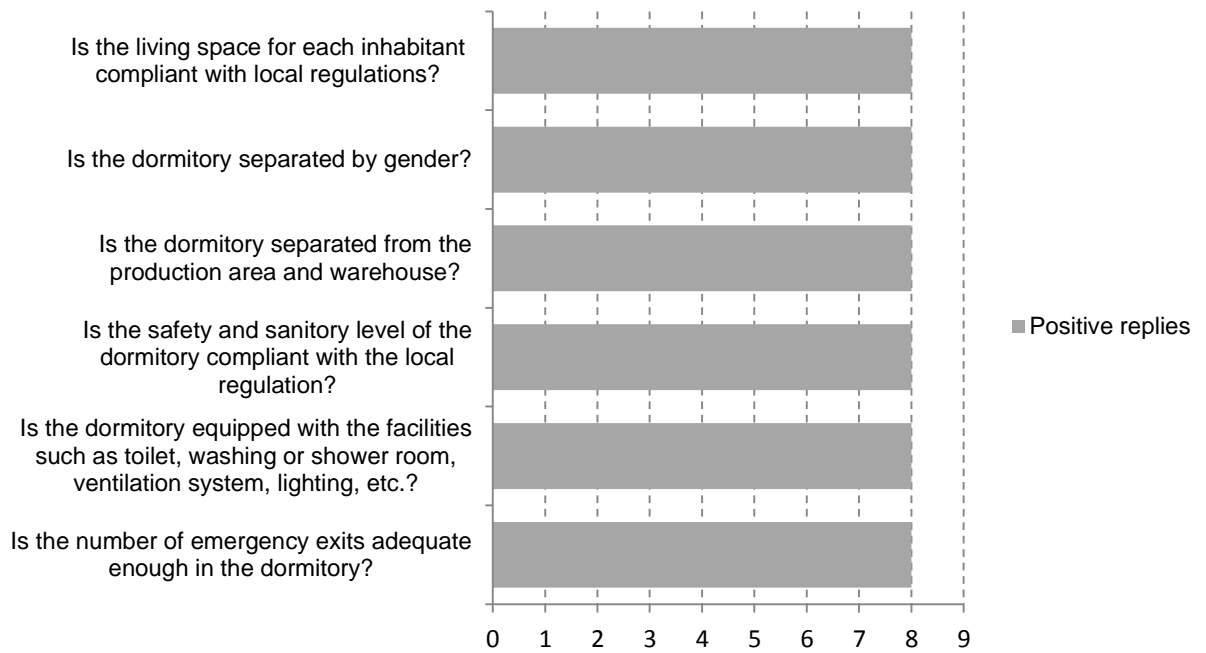


8. Dormitories

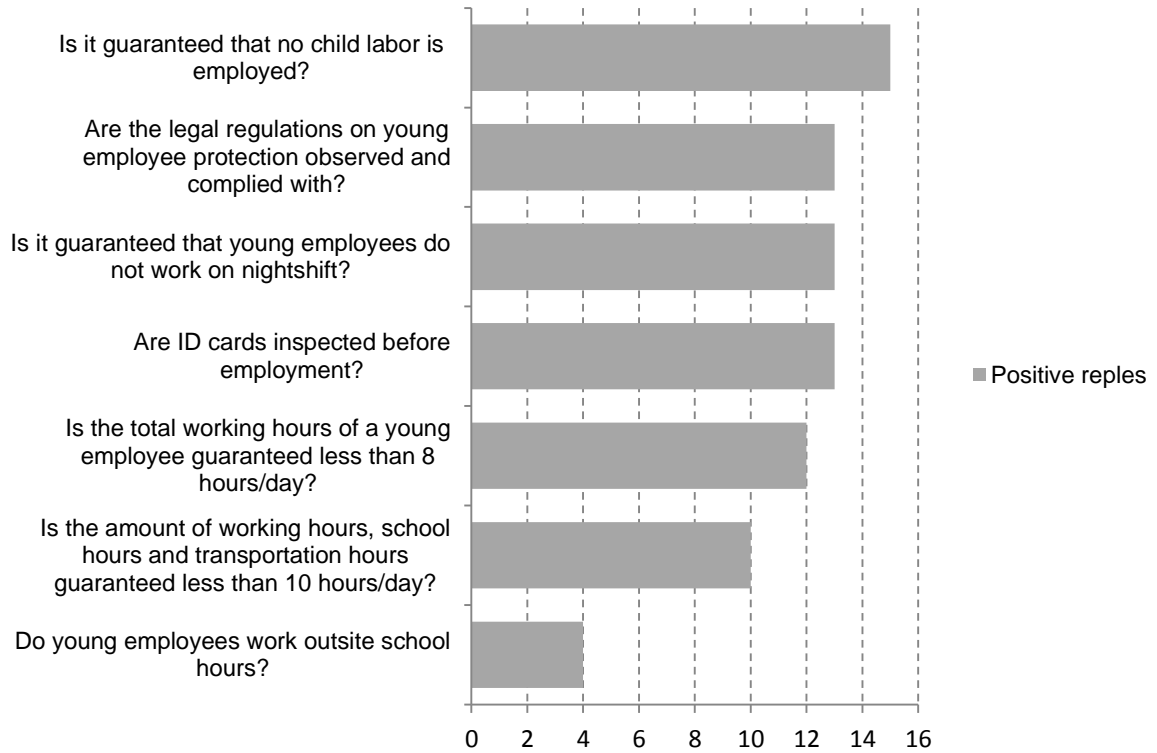
The following chart describes a distribution of the suppliers who offer dormitories and who do not.



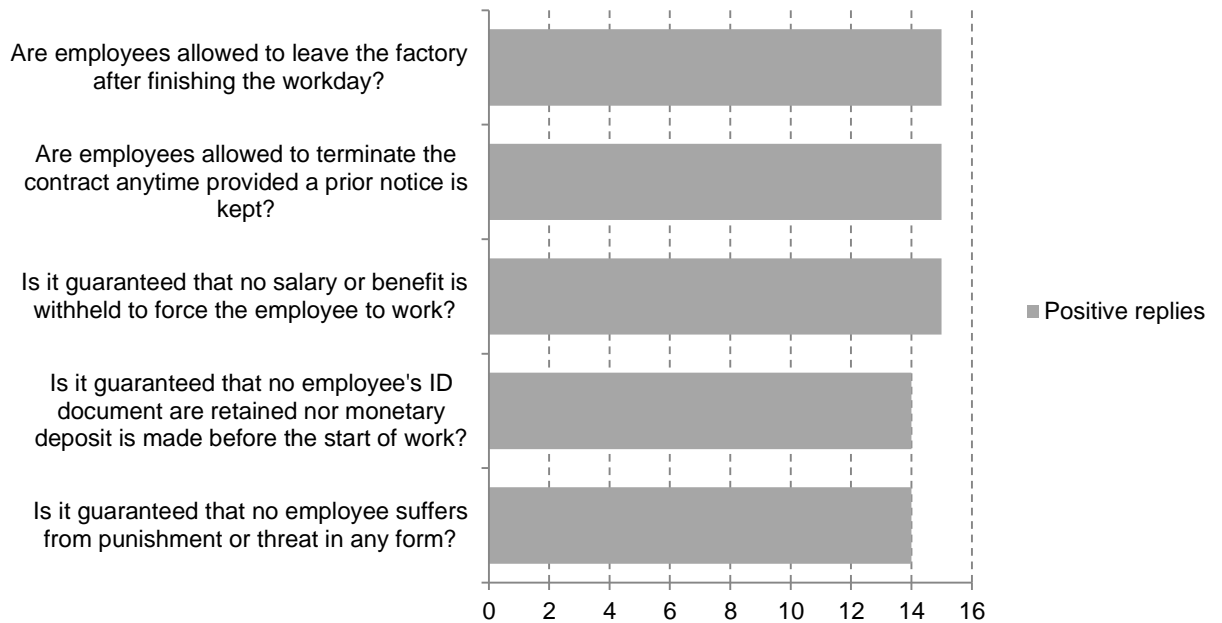
The following results concern the suppliers who offer dormitories for employees.



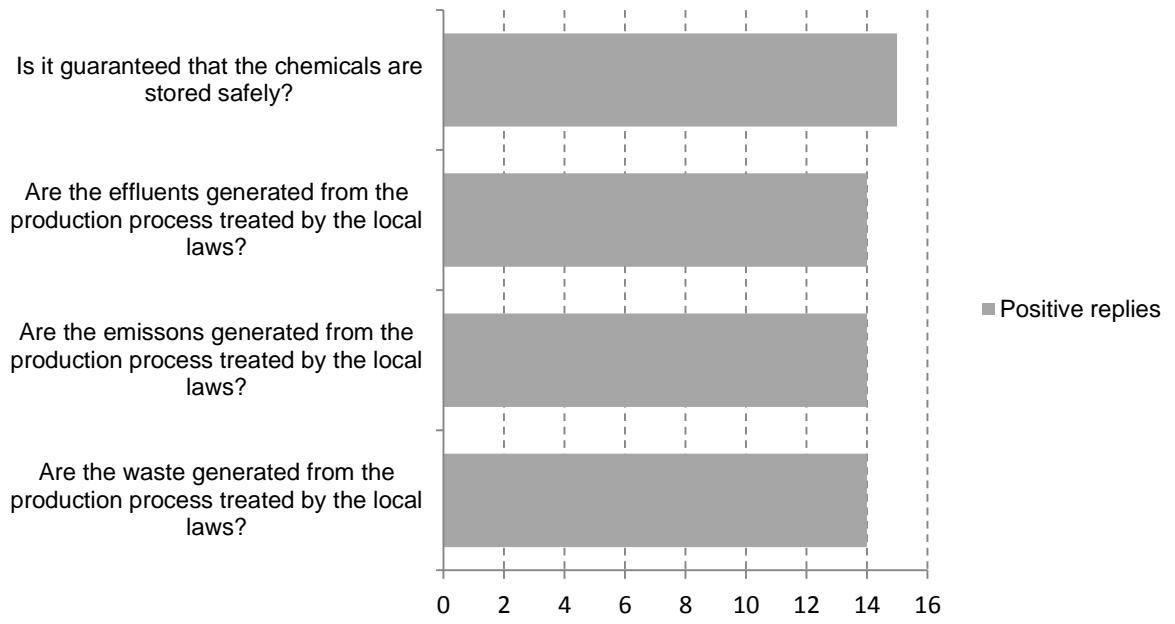
9. Child labor / young employees



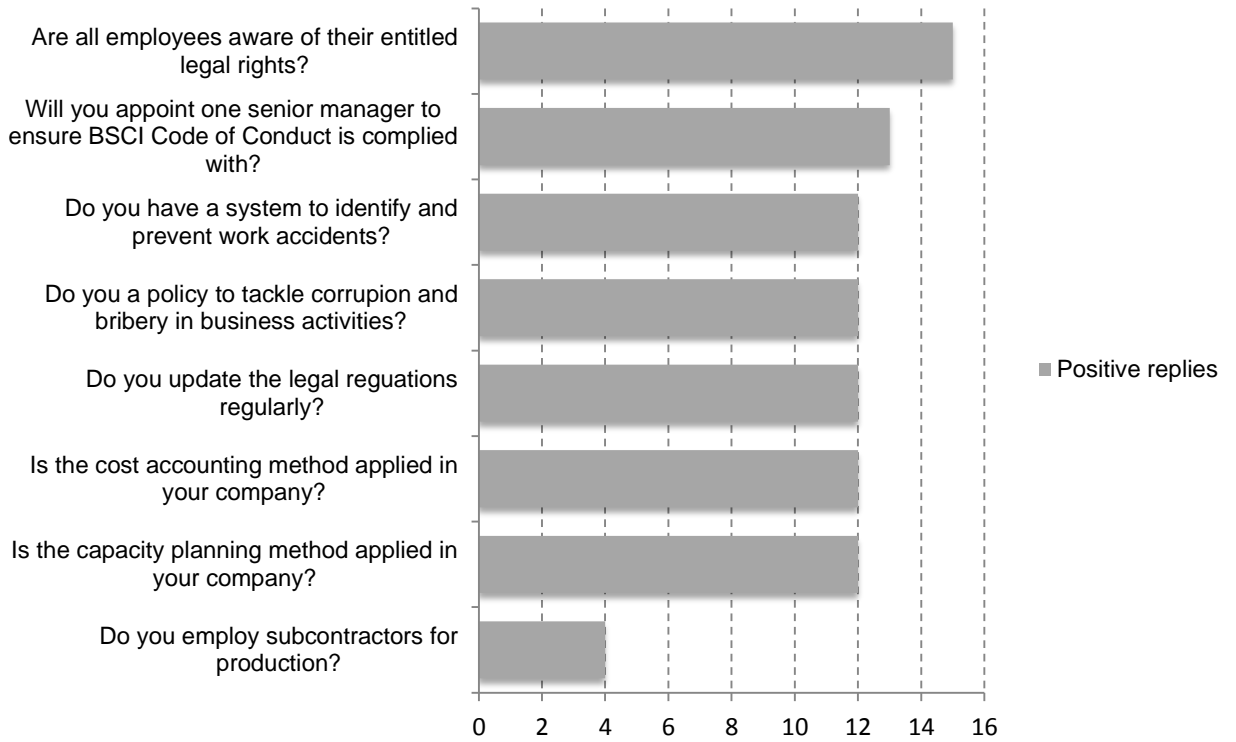
10. Forced labor / disciplinary measures / prisoner labor



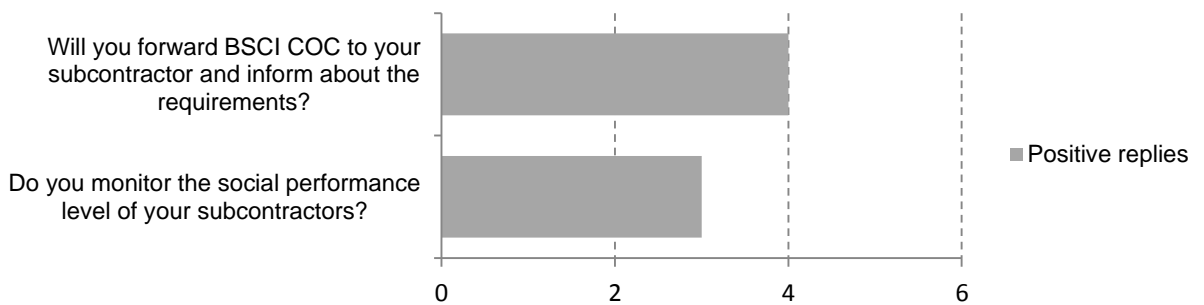
11. Environment



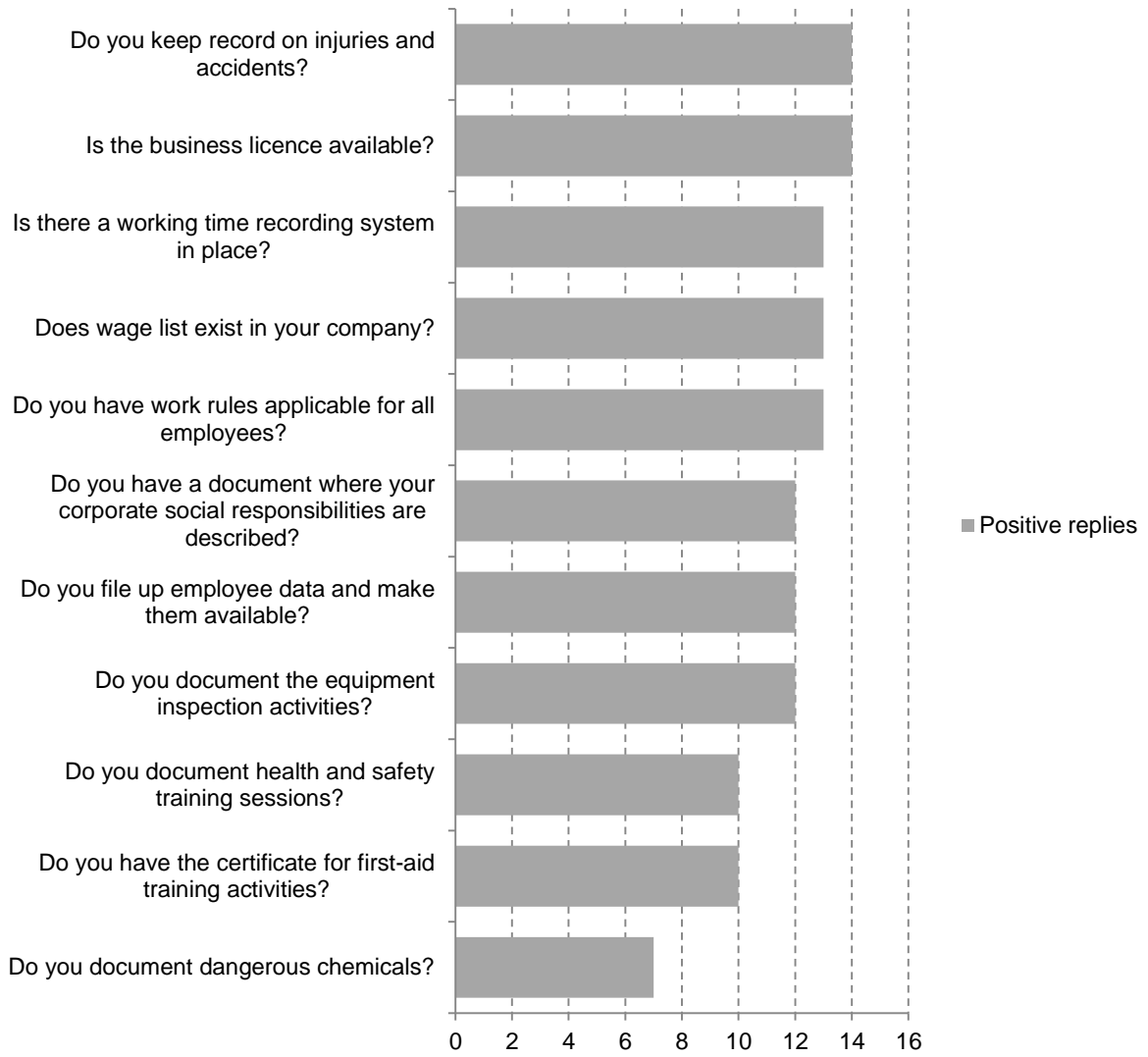
12. Management system



In regards to the question ‘Do you employ subcontractors for production’, the respondents who posed positive answer were subject to answer the following two sub-questions. There were four suppliers who hired subcontractors. Therefore, the results below indicate their replies to the corresponding sub-questions.



13. Document



Appendix 4. Interview topics

The following topics are the ones used in the process of interviewing the two representative suppliers. However, the questions were presented in both English and Mandarin languages for the Chinese interviewee for a more accurate research result.

1. What is your knowledge about the currently hot topic of corporate social responsibility? 请您详细描述一下您对当前普遍关注的企业社会责任感这一话题的看法和理解.
2. Will you please state the actions your company has taken in the process of working towards a socially responsible company?
请详细描述一下贵公司为成为具有社会责任感的企业已经做了哪些方面的努力.
3. What are the major problems that your company has encountered towards becoming a socially responsible company in reference to the general conditions of the BSCI Code of Conduct? Please justify your answer.
参照 BSCI 行为准则条款,请详细描述贵公司在成为具有社会责任感的企业的努力过程中还存在哪些方面的不足,为什么?
4. Will you please specify the popular problems that the companies in your country are nowadays confronted with towards being socially responsible companies in reference to the general conditions of the BSCI Code of Conduct? Please justify your answer. 参照 BSCI 行为准则条款,请详细描述当前贵国企业在成为具有社会责任感的企业的过程中都普遍存在哪些方面的不足,为什么?
5. Do you think your company will benefit from the BSCI social audit? Please specify.
您认为贵公司是否会受益于 BSCI 企业社会责任感的审查(在企业形象,业务发展等方面). 请详细描述.

Appendix 5. BSCI Code of Conduct in full version

In accordance with the ILO Conventions, the United Nations' Universal Declaration of Human Rights, the UN's Conventions on children's rights and the elimination of all forms of discrimination against women, the UN Global Compact and the OECD Guidelines for Multinational Enterprises and other relevant internationally recognised agreements, the BSCI Code of Conduct aims to attain compliance with certain social and environmental standards. By signing the BSCI Code of Conduct companies are, within their scope of influence, committed to acknowledge the social and environmental standards laid down in this Code and to take appropriate measures within their company policy for their implementation and compliance. Supplier companies, in addition, must ensure that the Code of Conduct is also observed by subcontractors involved in production processes of final manufacturing stages carried out on behalf of BSCI members.

Within the scope of options for action and appropriate measures, these supplier companies have to aim at the implementation of the following criteria in a development approach:

1. Legal Compliance

Compliance with all applicable laws and regulations, industry minimum standards, ILO and UN-Conventions, and any other relevant statutory requirements whichever requirements are more stringent. In the agricultural context, ILO Convention 110 shall be respected.

2. Freedom of Association and the Right to Collective Bargaining

All personnel shall have the right to form, join, and organise trade unions of their choice and to bargain collectively on their behalf with the company. The company shall respect this right, and shall effectively inform personnel that they are free to join an organisation of their choosing and that their doing so will not result in any negative consequences to them, or retaliation, from the company. The company shall not in any way interfere with the establishment, functioning, or administration of such workers' organisations or collective bargaining. In situations where the right to freedom of association and collective bargaining are restricted under law, the company shall allow workers to freely elect their own representatives. The company shall ensure that representatives of workers and any personnel engaged in organizing workers are not subjected to discrimination, harassment, intimidation, or retaliation for reason of their being members of a union or participating in trade union activities, and that such representatives have access to their members in the workplace.

- In accordance with ILO Conventions 11, 87, 98, 135 and 154.

3. Prohibition of Discrimination

No discrimination shall be tolerated in hiring, remuneration, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in workers' organisations including unions, political affiliation or opinions, sexual orientation, family responsibilities, marital status, or any other condition that could give rise to discrimination.

- In accordance with ILO Conventions 100, 111, 143, 158, 159, 169 and 183.

4. Compensation

Wages paid for regular working hours, overtime hours and overtime differentials shall meet or exceed legal minimums and/or industry standards. Illegal, unauthorised or disciplinary deductions from wages shall not be made. In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, supplier companies are further encouraged to provide their employees with adequate compensation to meet these needs. Deductions from wages as a disciplinary measure are forbidden, unless this is permitted by national law and a freely negotiated collective bargaining agreement is in force. Supplier companies shall ensure that wage and benefits composition are detailed clearly and regularly for workers; the supplier company shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered in a manner convenient to workers.

All overtime shall be reimbursed at a premium rate as defined by national law. In countries where a premium rate for overtime is not regulated by law or a collective bargaining agreement, personnel shall be compensated for overtime at a premium rate or equal to prevailing industry standards, whichever is more favourable to workers' interests.

- In accordance with ILO Conventions 12, 26, 101, 102 and 131.

5. Working Hours

The supplier company shall comply with applicable national laws and industry standards on working hours and public holidays. The maximum allowable working hours in a week are as defined by national law but shall not on a regular basis exceed 48 hours and the maximum allowable overtime hours in a week shall not exceed 12 hours. Overtime hours are to be worked solely on a voluntary basis and to be paid at a premium rate. In cases where overtime work is needed in order to meet short-term business demand and the company is party to a collective bargaining agreement freely negotiated with worker organisations (as defined above) representing a significant portion of its workforce, the company may require such overtime work in accordance with such agreements. Any such agreement must comply with the requirements above.

An employee is entitled to at least one free day following six consecutive days worked. Exceptions to this rule apply only where both of the following conditions exist: a) National law allows work time exceeding this limit; and

b) A freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods.

- In accordance with ILO Conventions 1 and 14 and ILO Recommendation 116.

6. Workplace Health and Safety

The company shall provide a safe and healthy workplace environment and shall take effective steps to prevent potential accidents and injury to workers' health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the workplace environment, and bearing in mind the prevailing knowledge of the industry and of any specific hazards.

A clear set of regulations and procedures must be established and followed regarding occupational health and safety, especially the provision and use of personal protective equipment, access to clean toilet facilities, access to potable water and if appropriate, sanitary facilities for food storage shall be provided. The company shall ensure that any dormitory facilities provided for personnel are clean, safe, and meet the basic needs of the personnel.

All personnel shall have the right to remove themselves from imminent serious danger without seeking permission from the company.

Workplace practice and conditions in dormitories which violate basic human rights are forbidden. In particular young workers shall not be exposed to hazardous, unsafe or unhealthy situations.

- In accordance with ILO Conventions 155, 184 and ILO Recommendations 164 and 190.

In particular, a management representative responsible for the health and safety of all personnel and accountable for the implementation of the Health and Safety elements of the BSCI shall be appointed. All personnel shall receive regular and recorded health and safety training, moreover, such training shall be repeated for new and reassigned personnel. Systems to detect, avoid or respond to potential threats to health and safety of all personnel shall be established.

7. Prohibition of Child Labour

Child labour is forbidden as defined by ILO and United Nations Conventions and/or by national law. Of these various standards, the one that is the most stringent shall be followed. Any forms of exploitation of children are forbidden. Working conditions resembling slavery or harmful to children's health are forbidden. The rights of young workers must be protected. In the event that children are found to be working in situations which fit the definition of child labour above, policies and written procedures for remediation of children found to be working shall be established and documented by the supplier company. Furthermore, the supplier company shall provide adequate financial and

other support to enable such children to attend and remain in school until no longer a child.

The company may employ young workers, but where such young workers are subject to compulsory education laws, they may work only outside of school hours. Under no circumstances shall any young worker's school, work, and transportation time exceed a combined total of 10 hours per day, and in no case shall young workers work more than 8 hours a day. Young workers may not work during night hours.

- In accordance with ILO Conventions 10, 79, 138, 142 and 182 and Recommendation 146.

8. Prohibition of Forced and Compulsory Labour and Disciplinary Measures

All forms of forced labour, such as lodging deposits or the retention of identity documents from personnel upon commencing employment, are forbidden as is prisoner labour that violates basic human rights. Neither the company nor any entity supplying labour to the company shall withhold any part of any personnel's salary, benefits, property, or documents in order to force such personnel to continue working for the company.

Personnel shall have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice to their employer. Neither the company nor any entity supplying labour to the company shall engage in or support trafficking in human beings.

The company shall treat all personnel with dignity and respect. The company shall not engage in or tolerate the use of corporal punishment, mental or physical coercion and verbal abuse of personnel.

- In accordance with ILO Conventions 29 and 105.

9. Environment and Safety Issues

Procedures and standards for waste management, handling and disposal of chemicals and other dangerous materials, emissions and effluent treatment must meet or exceed minimum legal requirements.

10. Management Systems

The supplier company shall define and implement a policy for social accountability, a management system to ensure that the requirements of the BSCI Code of Conduct can be met as well as establish and follow an anti-bribery / anti-corruption policy in all of their business activities. Management is responsible for the correct implementation and continuous improvement by taking corrective measures and periodical review of the Code of Conduct, as well as the communication of the requirements of the Code of Conduct to all employees. It shall also address employees' concerns of non compliance with this Code of Conduct.

(BSCI 2009a).

