

CSR in the Global Market Place: Towards Sustainable Global Value Chains

Autoria: Luciano Barin Cruz, Dirk Michael Boehe

Abstract

Global managers are increasingly putting Corporate Social Responsibility (CSR) on their agendas. Market segments for socially and environmentally responsible products are emerging and they capture growing market shares. Our aim is to identify and to characterize some conditions under which a Sustainable Global Value Chain might gain international competitiveness. With this aim in mind, we make the following contributions: 1) we propose a new concept called ‘Sustainable Global Value Chains’ which might stimulate an emerging research field; 2) we propose six testable propositions which set out key conditions under what Sustainable Global Value Chains are likely to become competitive; our propositions have implications for future research and managerial decision-making; 3) we stimulate managers of organizations which participate in global value chains to rethink their role in the global market place and to become more sensible to potential strategic as well as ethical hazards.

INTRODUCTION

The global context suggests the consolidation of the discussion about sustainable development (ONU’s weather reports; governmental projects in different levels; academic literature development). Public and private managers have sustainable development on their agendas and different kinds of organizations are caring about making development sustainable respecting social, environmental and economic criteria.

In this context, our paper seeks to make a contribution introducing corporate social responsibility (CSR) in global value chains strategies. Our aim is to identify and to characterize some conditions under which a Sustainable Global Value Chain might gain international competitiveness. With this aim in mind, we make the following contributions: 1) we propose a new concept called ‘Sustainable Global Value Chains’ which might stimulate an emerging research field; 2) we propose six testable propositions which set out key conditions under what Sustainable Global Value Chains are likely to become competitive; our propositions have implications for future research and managerial decision-making; 3) we stimulate managers of organizations which participate in global value chains to rethink their role in the global market place and to become more sensible to potential strategic as well as ethical hazards.

The remainder of this paper is structured as follows: in the first section we discuss theoretical concepts related to global value chains and sustainable development; in the second section we present the method; in the third section we analyze the case of the JOBEK’s global value chain; in the last section, we discuss our findings and we draw some conclusions, summarizing our proposition for a new concept of sustainable global value chains.

CONCEPTUAL DEVELOPMENT

Global Value Chains

A value chain comprises all activities necessary to “bring a product from conception to market” (PIETROBELLI & RABELLOTI, 2006; p. 8). Therefore, it includes product development, different phases of production, covering extraction of raw materials, semi-finished materials, component production and assembly, distribution, marketing and even recycling. As these activities may be spread over several different firms and countries, the value chain can become global.

Previous research on this topic has focused on different modes of governance in global value chains. ‘Governance in global value chains means that, different to simple market relationships, “some firms in the chain set and/or enforce the parameters under which others

in the chain operate” (HUMPHREY & SCHMITZ, 2002: 4). These parameters have control function and may apply to the product definition, the production process, production volume, time of delivery and price.

The question is who determines these parameters and who enforces them? Humphrey and Schmitz (2002) distinguish in their framework two parameter setting or enforcing agents, the lead firm of the global value chain and external agents such as government agencies, transnational organizations or NGOs. While both tasks (setting and enforcing) may be in the hands of the same agent, they may also be split, for instance, the lead firm of the chain may oblige its suppliers to use certain quality certifications; in this case the suppliers need to contract an external agent who carries out inspections and monitoring. In this context, Humphrey and Schmitz (2002) point out that those firms prefer to delegate the task of parameter enforcement to external agents in order to economize on monitoring costs.

Another question of interest is who, if anyone takes over the lead firm role in the global value chain? Global value chains may be producer driven or buyer-driven. With respect to buyer-driven chains, previous research has identified several modes of governance, such as market, network, quasi-hierarchical and hierarchical governance (HUMPHREY & SCHMITZ, 2000). This stream of research is interested in modes of governance between markets and hierarchy, such as the quasi-hierarchical and the network mode of governance; more recent contributions have added the modular value chain (GERREFI, HUMPHREY & STURGEON, 2005).

Quasi-hierarchical governance means that the buyer has a high degree of control over the supplier and sets the parameters with which suppliers need to comply. Conversely, network governance implies a more balanced, interdependent and cooperative relationship between the organizations which are part of the chain. Gerrefi, Humphrey & Sturgeon (2005: 85) point out that network or relational chain governance requires time to be developed and is likely to increase asset specificity as well as trust between partners.

Concerning the drivers which may lead to the adoption of one or another mode of governance, existing research has theorized that the suppliers’ insufficient knowledge of market demand abroad and the buyers’ better access to market knowledge may explain the adoption of the quasi-hierarchical chain governance (high control and power asymmetry). Furthermore, the risk that the supplier fails to comply with international market standards may also incentive buyers to establish a high degree of control (Humphrey & Schmitz, 2002). More recent contributions have identified the complexity of transactions, the ability to codify transactions and the capabilities in the supply base as main determinants of the mode of governance and, as a corollary, power distribution in global value chains (GERREFI, HUMPHREY & STURGEON, 2005).

Concerning the outcomes of different modes of chain governance, previous empirical research has suggested that quasi-hierarchical modes may considerably restrict the functional upgrading of developing country suppliers as far as product development and international marketing and logistics related functions are concerned (HUMPHREY & SCHMITZ, 2000). While network forms of chain governance are beneficial to knowledge exchange, learning and upgrading, suppliers from developing countries are less likely to be integrated in global supply chain with network governance (HUMPHREY & SCHMITZ, 2002: 27-28).

Although Humphrey & Schmitz (2001) point to CSR related aspects such as working conditions, sustainable agriculture and fair trade, the role of sustainable development practices in global value chains has rarely been addressed.

Sustainability & CSR

The acclaimed Brundtland Report (World Commission on Environment and Development, 1987, p. 43) gave the bases for the most usual concept of sustainable

development: it “is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Even if the “green and social” discussion is oldest than this report, it marks the history of the sustainable debate.

In a general sense, Gladwin et al. (1995) point out three main positions in the sustainable development debate: the conventional technocentrism; the antithetical ecocentrism; the sustaincentrism. The authors recognize the legitimacy of the first two views, but they assume the third view as more adequate for a multidimensional approach. In the “sustaincentric” view, a prosperous economy depends on a healthy ecology, and vice versa. A green and equitable economy is possible, in which ecological and social externalities are internalized. In such a case, the authors remark that markets are required to efficiently allocate resources, but other policy instruments and economic incentives are required to place preemptive constraints on the pursuit of purely market criteria bearing on natural resource use and satisfaction of basic human needs.

This sustaincentric view was worked and developed during the last years and the incorporation of this concept in the organizations’ management was translated as the emergent concept of Corporate Social Responsibility (CSR). As defined by the European Commission (2002; p.5) and remembered by Steurer et al. (2005), CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. The developments in CSR have generated a rich and instigating field in the last years.

It is rich, because many authors have debated the different possibilities of incorporate (at the same time) the social, environmental and economical concerns in the management thinking and practice (BANERJEE, 2003 in the international debate and policies; AGUILERA et al., 2007 in organizational behaviour; PUJARI, 2006 in technological innovations; BANSAL, 2005; BARIN-CRUZ et al., 2006 in strategic management). It is instigating because all these interesting works are trying to suggest and develop frameworks and models to manage the complex trade offs involved in the sustainable development ‘actionability’, it means, the balance among social, environmental and economical dimensions.

In a general way, some rankings were created to improve the organization’s competences to deal with the incorporation of sustainable development in their strategies. The different environmental and social ISO (14.000, 26.000), the Dow Jones Sustainability Index (DJSI), the Global Reporting Initiative (GRI), are some examples of this phenomenon. More specifically in sectors that work with wood, an important international certification was created and has an influential role: the Forest Stewardship Council (FSC). This certification demands a list of criteria to certify that a product is environmentally and socially correct or not. As stated by Cashore et al. (2006; pp. 6):

“the solution put forward by FSC was relatively simple: develop a set of global sustainable forestry principles and criteria, have national and sub national multi-stakeholder committees develop regionally appropriate standards, have third parties audit forestry operations for compliance, and certify those who pass the test – providing a badge or honour that, the hope was, would allow certified operations to gain some type of market advantage vis-à-vis their competitors (such as market access, price premiums, and the more abstract notion of a “social license to operate”).”

The emergence and the growing importance of the FSC certification have introduced the ethical concern in different points of some global value chains. Some of these ethical concerns are discussed in the case analysis.

METHOD

Research design and context

This study adopts a single case design; however, the case of JOBEK's sustainable global value chain encompasses several organizations in different countries, such as suppliers, producers, distributors, an NGO and a certification agency. Single case studies are adequate when we are analyzing extreme or rare cases (YIN, 2002). In fact, JOBEK'S global value chain has several unique characteristics and can be seen as an extreme or rare case both for Brazil and also for Europe. Currently, accordingly to internal information, JOBEK has the largest share on the European hammocks (hammocks, hanging air chairs, hammock stands) market (approximately 80%) and in Brazil JOBEK is probably one of the few firms which exports 100% of its annual production and which has implemented internationally certified sustainable business practices at the same time. More importantly, a single case may be useful when the aim is to identify new concepts or to challenge existing views of the world. A further *raison d'être* for a single case study is the revealing study in which the researcher gains access to a situation previously inaccessible for research, which applies to this case study as we could get hold of first-hand information from several dispersed key players of this global value chain (see details on data collection below).

Moreover, this exploratory research follows the suggestions of Siggelkow (2007) and Eisenhardt & Graebner (2007), to develop case studies in a more persuasive way, showing all its potential to theoretical and practical contributions. Siggelkow (2007) suggests that case studies can be made for three important uses: motivation, inspiration and illustration. Here, the case of JOBEK Group serves as a motivation for the field, showing how sustainable development and, more specifically, certificated wood are important themes to be studied. The case has also an inspiration role, considering that we also build a kind of framework that shows factors influencing the competitiveness of a Sustainable Global Value Chain. Finally, the case has two illustrative functions: first, it describes a global value chain where the sustainable development issue is an important factor for the international business success; and secondly, it points to several challenges faced by its players.

Data collection

Our focal point in this global value chain was the JOBEK Group. Concerning the firm's main product (hammocks), we have identified the players of this global chain and we have defined how to collect the data.

Interview	Chain's Player	Localization	Language used for the Interview
1+2	Export Manager of JOBEK Group	Fortaleza, Brazil	Portuguese
3	JOBEK's Quality Manager – Responsible for the wood certification	Fortaleza, Brazil	Portuguese
4	JOBEK's Owner and CEO	Fortaleza, Brazil	Portuguese
5	FSC Certified Wood Supplier	Pará, Brazil	Portuguese
6	Canadian Distributor	Quebec, Canada	French
7	American Distributor	North Carolina, USA	English
8	German Quality and Purchasing Manager (part of JOBEK's administration and distribution)	Schwangau, Germany	German
9	French Distributor	Oyonnax, France	French
10	FSC Brazil	Brasília, Brazil	Portuguese
11	Wood Certification Auditor - SGS	São Paulo, Brazil	Portuguese

Chart 1: Interviewee's Profile

We have made some *in loco* observations in JOBEK Group (some plant visits), some document analysis (external information from the websites of chain's players), and some

interviews with representatives of the main chain's players (11 interviews as described in chart 1). We carried out personal interviews in Fortaleza / Brazil and we used phone interviews with respondents in all other locations; one respondent, the certification auditor, preferred to send us a written response. All interviews lasted between 30 minutes and two hours and JOBEK's export manager, a key respondent, was interviewed two times between September 2007 and February 2008.

We used interview guides with questions on JOBEK's posture (reactive vs. proactive) in sustainability issues, advantages and disadvantages of producing and commercializing sustainable products, the firm's global competitiveness and market positioning, complementary activities and projects related to CSR, the causes of and remedies for bottlenecks in a sustainable global value chain, bargaining power, learning mechanisms, CSR strategy and marketing, among others. All interviews were recorded and transcribed immediately thereafter. Almost all interviews were carried out by two researchers which allowed us to clarify ambiguous issues and identify questions of interest already during data collection.

Case analysis

Multiple sources of information from inside and outside the organizations as well as different techniques such as the verification of our arguments and drafts are recommendable in order to evaluate the construct validity (YIN, 2002). A further issue was reliability of the information provided: in brief, data is reliable when different researchers arrive at the same conclusions and when different information on the same topic coincides. Therefore, we used data triangulation (observations in JOBEK's industry; interviews and external documents) and researcher triangulation (data collected by both researchers and their analysis of the results were compared).

For the analysis, we have conducted a thematic content analysis (BARDIN, 2000). All the interviewees were transcribed and codified in the ATLAS.ti 5.2 software. Codification permitted us to identify a list of questions and issues as well as the links among them. As a result of this, three vectors (or thematic) have emerged. Based on these vectors (thematic) we have organized the presentation of our results (see next section). This mainly inductive approach has resulted in six research propositions. For each one of them we discuss the empirical and practical implications and we reproduce the interviewees' statements to support our arguments.

THE SUSTAINABLE GLOBAL VALUE CHAIN OF 'JOBEEK DO BRASIL'

How works the sustainable global value chain of JOBEK?

JOBEEK is part of two conceptually different global value chains, one of them is dominated by its American joint-venture partner and the other one is steered by JOBEK itself and focused on Europe.

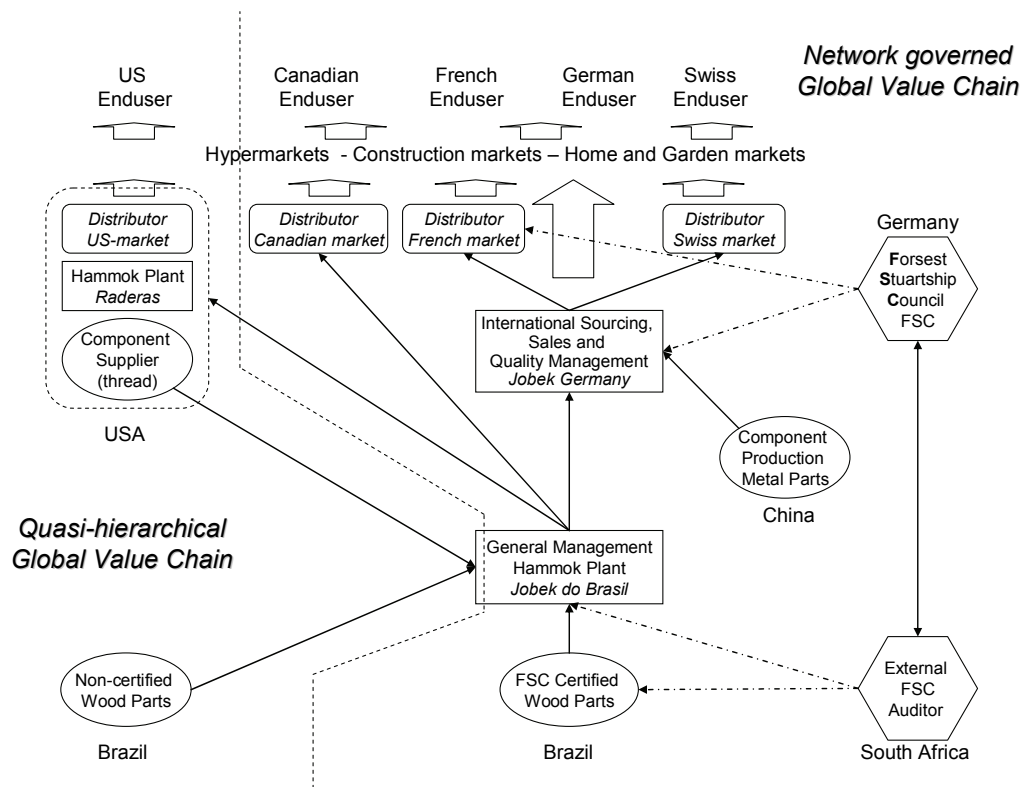


Figure 1 - JOBEK's global value chain

The US partner holds a financial stake in the Brazil-based production facilities, but not in JOBEK's business model as such. Furthermore, the American partner exclusively supplies JOBEK with synthetic raw materials (threads). Their agreement also encompasses distribution in a reciprocal manner for Europe and the US. However, the partnership seems to be a bit unbalanced: "the Americans are our great partners", says JOBEK's Brazilian export manager, "but they still like to see JOBEK as a supplier, despite having an alliance with us. And the German doesn't, we are trying to show them that we are not a simple supplier, we are a partner."

The comments of JOBEK's US partner and distributor point into the same direction as he mentions that JOBEK is almost always required to produce according to the specifications defined by the distributor (which is equivalent to subcontracting or off-shoring in manufacturing): "most of the time, we specify the specifications of the hammock".

In particular, the idea that the distributor specifies the product and production parameters to which JOBEK is required to comply and which do not allow for the shipment of CSR products, such as furniture or hammocks consisting of components made out of certified wood, suggests that we are talking about a global value chain with quasi-hierarchical governance (see the left side of Figure 1).

The chain which leads to the European market, in contrast, does either use FSC certified wood supply or metal stands as accessories. As we will detail below, JOBEK has a leading role in this chain. The firm maintains symmetric partnerships with retail clients, since these partnerships have evolved towards trust-based relationships, free exchange of information, mutual understanding of the partners' difficulties and, more importantly, JOBEK's autonomy in terms of product design, international marketing and branding. Therefore, this chain resembles a global value chain with network governance.

As there is only room for CSR products in the value chain with network governance, we henceforward concentrate ourselves on the chain which leads from certified wood suppliers in Brazil to distributors and retailers in Europe and Canada.

In our analysis, we address the following three concepts which might explain the competitiveness of sustainable global value chains: 1) governance and bargaining power in a

global value chain; 2) the preconditions for the success of a CSR product differentiation strategy itself, particularly, credibility, willingness to pay for (more expensive) CSR products and barriers to product imitation, and 3) complementary awareness building activities to strengthen a sustainable global value chain in the long run. The analysis of all three concepts covers all main components of a global value chain, from raw material supply to the end user.

Figure 2 represents our analytical framework, with the three concepts and their interrelationships; in the next few sections, we describe these relationships using the statements of our interviewees and we condense them into six research propositions.

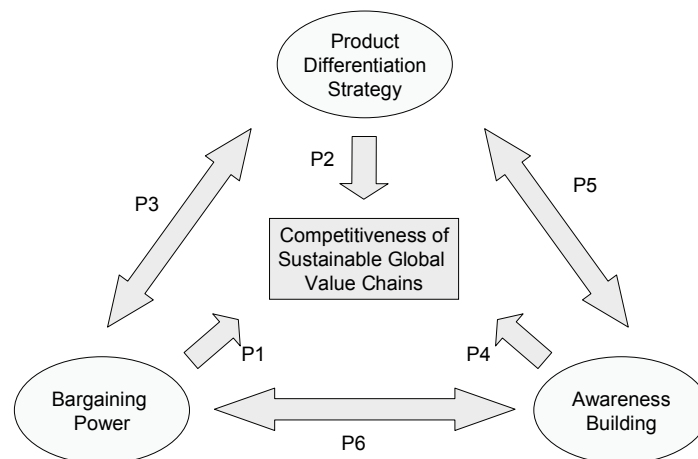


Figure 2 – Analytical Framework

Bargaining and Power Relations in Sustainable Global Value Chains

Supply

Suppliers of FSC certified wood seem to have considerable bargaining power as they are very few and in a position to unilaterally impose their payment conditions. Asked about a possible disequilibrium in the supply-demand relationship, the FSC representative in Brazil (interview 10) says “yes, because there is a wood supply problem. Currently, certified natural wood plantations ceased to increase”. In line with this, while JOBEK’s clients (distributors, retailers) enjoy a credit line of 180 days, JOBEK is required to pay its certified wood suppliers in cash. This high bargaining power can be explained by the scarcity of certified wood in Brazil which is due to economic disincentives to invest in such ventures. In fact, Cashore et al. (2006) mention illegal logging, which drives down prices of excellent, though non-certified wood from the Amazon, as one of the main reasons. Another reason is excess of demand, mainly from firms abroad. In view of that, JOBEK’s owner remarks:

“We are backing FSC to 80%. Not 100%. 80%. I explain why only 80%. It’s because, like everything, there are two sides of a coin. That we are depending today on our FSC suppliers is the bad side. That’s very difficult. It’s because there is not just us who are searching for FSC certified wood. There is a Chinese, a Vietnamese, an Indochinese, the whole world is running behind this type of wood. And our supplier prefers to sell to the Chinese, because it’s easier.” (Interviewee 4)

In line with this, JOBEK’s German quality and purchasing manager, as well as JOBEK do Brasil’s exporting manager, admitted that their firm had to reject orders in the past. Likewise, JOBEK ran into (judicial) difficulties because of bottlenecks in certified wood supply.

Product design and production

The production process is therefore quite vulnerable to supply distortions. JOBEK has reacted to this, heavily reducing its permanent workforce and increasingly relying on contract workers and outsourcing. What somehow shields JOBEK from suffering too much is the fact that headquarters is today in Brazil where the main decision-making power is concentrated at the owners. Thus, the owners are able to intervene quickly as soon as severe bottlenecks become apparent.

Furthermore, JOBEK has been developing alternative suppliers (see below) and has been trying out wood certified by a Brazilian certification agency. However, this latter source of supply has only limited potential because its label is much less internationally recognized than FSC.

International distribution and retail

Much different from a retailer-dominated supply chain, JOBEK is in the lucky position to have developed transparent information exchange relationships with its retailers as well as a kind of mutual understanding. JOBEK has developed a competence regarding the development of certified wood suppliers. Discussing possible shortages of certified wood and resulting delivery problems, the German quality and purchasing manager points out:

“[...] over the last years we have passed information [on possible bottlenecks] to our clients. And our clients have already learned that when they have received FSC certified wood [...] in one year they cannot automatically expect the same type of wood next year. But this flexibility has passed mouth to mouth in many areas and is meanwhile accepted as well.” (Interviewee 8)

Thus, JOBEK has managed to develop a certain type of “buffer” with respect to their retailers which also shields it against supply uncertainties.

Clients

Due to its higher prices, end users only buy certified wood if it is recognized as such. This is why marketing and awareness building (see below) is essential for the success of sustainable global value chains. The high importance of consumers pulling sustainable products has been underscored by the JOBEK’s owner: “The most important must be the consumer. The last one, who buys the hammock in order to use it at home. Because, if he does not know what means FSC [...] he is going to buy, perhaps, a cheaper product.” (Interviewee 4).

The American distributor confirmed this view, arguing that JOBEK’s products made out of certified wood have no market in the US, since retailers and end clients prefer products at bargain prices.

FSC seems to have understood this logic very well and has been creating an impressive brand and political lobby to disseminate its label as a leading sustainability certificate: “Only FSC managed to [...] create a name, a brand, a lobby. Because, nowadays, the FSC seems to be the strongest certification in the world, at least in Europe.” (Interviewee 4).

FSC Certification

Finally, talking about CSR products, it is fundamental to re-consider the role of the certification agency. Previously, these agencies have been viewed as marginal players, at most, as enforcement agencies of parameters set by the chain’s lead firm or by government (see Humphrey and Schmitz, 2001). In contrast, certification organizations become a leading element of sustainable global value chains as they both set and enforce the parameters according to which firms have to produce and trade. As a symptom of this leading role, we observed above that certification may indirectly prompt bottlenecks in the chain as demand exceeds supply of FSC certified wood.

As we will see in more detail below, FSC certification entraps JOBEK in several respects: first, it may lead to a supply shortage as FSC certified wood is a scarce raw material.

Scarcity of supply bars further expansion and has already implied in delivery problems of final products. Secondly, it indirectly increases the bargaining power of FSC certified wood suppliers being demand higher than supply. Third, it also increases the power of FSC itself as FSC's dominant positions in the central European and the Brazilian market makes it costly to switch to an alternative certifier. Likewise, JOBEK's Canadian distributor senses that

"I, in my opinion, this [the power game] changes a lot, because before, it was us who talked to our clients and now it is our clients who demand FSC [...] well, this forces everybody who is in the chain to find and make products like this."
(Interview 6)

Likewise, Cashore et al. (2006, p.16) make clear that

These changes in power relations have taken two forms broadly - an increase in the inclusiveness of the forest policy network and a rebalancing of power relations away from industry-dominated client networks to more pluralistic arrangements involving environmental, community, and indigenous peoples' interests.

Therefore, the certifier needs to be considered as a key player of a sustainable global value chain which has successfully modified power relationships along the chain. Essentially, FSC has succeeded influencing practically all players of the chain, from raw materials suppliers to clients, at the same time by setting and enforcing parameters. For sure, political lobbying, marketing and networking with the private sectors have been important ingredients of FSC strategy. However, up to now, the producer has successfully managed to avoid a disadvantageous power position over time.

In brief, the JOBEK's sustainable global value chain shows some essentially distinct features compared to traditional global value chains as known from the literature.

Proposition 1: Sustainable Global Value Chains will be internationally competitive if the power relationships between the chain's players remain symmetric.

Differentiation Strategy

CSR Product

Producing according to socially responsible criteria (henceforward called 'CSR products'), may contribute to product differentiation and reputation building (Fombrun and Shanley, 1990). We argue that product differentiation strategies can work as an effective means to commercialize products produced according to environmental and social standards (short CSR products) on the world market; however, a necessary condition is that the entire global value chain supports such a strategy.

Basically, a differentiation strategy for CSR products needs to fulfill three requirements in order to be successful: the clients need to be willing to pay higher prices, information, for example about environmental certification, has to be credible and, at last, differentiated CSR products must be protected against imitation (Reinhardt, 1998).

In the following, we show that a global value chain supports a differentiation strategy if each of its elements contributes to fill at least one of these three requirements. We illustrate and sharpen this argument scrutinizing the role of suppliers, the producer, distributors, retailers and certification agencies in Jobek's global value chain.

Supply: credibility & protection against imitation

The scarcity of FSC certified wood supply constitutes, on the one hand, a bottleneck and risk factor as delivery to international retail factors cannot be always guaranteed. In past orders from a large German retail company, JOBEK's difficulties to supply manufactured products made out of FSC certified wood has already lead to contractual fines. On the other hand, JOBEK's direct access to scarce supply sources makes product imitation by competitors difficult. JOBEK has two German competitors (with no more than 20% market share against

JOBEK's 80%). Thus scarcity of FSC certified wood may work, for a while, as a protection against imitation, though this may change as there is, according to the CEO, a "large Chinese competitor who buys up FSC certified wood in Brazil and ships it to China for manufacturing".

JOBEK has direct contact to certified wood suppliers in the north and northeast of Brazil which makes immediate control of wood quality feasible. In fact, the owners and CEO of the firm, who reside close to the plant, visits periodically his suppliers to check certification, supply quality and quantities. This direct control and first hand information has contributed to the *credibility* of JOBEK vis-à-vis the firms international distributors and retail clients.

Product design, production and certification: credibility & protection against imitation

Concerning product design and production, we identified 10 different forms of product differentiation which include differentiation by FSC certification, health-related product attributes, delivery, packaging and logistics, quality, branding and marketing, security, variety, innovative designs and products; finally, hammock production uses an innovative synthetic thread which is cheaper, more resistant than traditional cotton fiber and difficult to copy. It is supplied by JOBEK'S US joint-venture partner on an exclusive basis and therefore protects against imitation as well. Some product designs, such as the diagonal hammock are protected by patents filed in Brazil and Germany. The export manager highlighted the crucial role of protection against imitation, principally by the Chinese: "The main strategy is working on the product. For this reason we already made a radical change today, quitting cotton and adopting the synthetic product line. As they do not have this technology, they will try to copy it at the maximum." (Interview 1)

However, the main barrier against imitation is precisely the combination of several different forms of product differentiation. The firm's quality and purchasing manager in Germany points out that "we are always two years ahead of the Asians [...] because we continually develop new product variants."

International distribution and retail: credibility & willingness to pay

JOBEK's international marketing is strongly supported by the presence of a subsidiary in Germany (which used to be headquarters before the owner's migration to Brazil). Direct presence in its main market and contact with distributors and wholesalers, facilitates establish trust based long term partnerships. For instance, asked about how clients react to delivery problems, caused by scarce FSC certified wood, the Germany-based quality manager replies that "over the years, one establishes particularly with large clients a certain trust-based relationship. And when I have to do with a client over a few years, he also swallows the truth". Trust-based relationships are highly supportive to enhance the credibility of JOBEK's CSR products. In addition proximity to clients supports product differentiation as particular client demands can immediately be incorporated in new products.

However, as noted above, JOBEK's relationship with its US distributor and joint-venture partner is quite different. The US distributor defines product specifications of JOBEK's hammocks exported to the US and requires JOBEK to deliver non-certified wood, compatible with the low and medium cost strategy on that market. In other words, the quasi-hierarchical chain governance set up by the US partner does not support a differentiation strategy in CSR products. The network-type relationships in place on the European and Canadian market, however, support a differentiation strategy, as there is room to negotiate premium prices for JOBEK's highly differentiated products.

Client demands: willingness to pay

Clients' willingness to pay for CSR products is important to understand these market differences. European clients are not only more willing to pay for environmentally sound

products but some of them are also prepared to protest against illegal or dubious environmental practices. Asked about his business philosophy one of the German owners points out

“on a trade fair in Europe we cannot represent a Brazilian product which is not ecologically correct, because Europe is watching with enormous eyes towards what is happening in the Amazon region and with good reason. That’s why we are 100% backing FSC.” (Interviewee 4)

In a similar vein, the Brazilian export manager underscores that “[...] if you don’t have a certified product in the store [...] you run the risk that the Greenpeace guys are going to make trouble in front of the store, well nobody wants this in front of the store.”

Public consciousness translates in higher willingness to pay a premium prices for environmentally sound products. The German quality manager, for instance, remarks that “the clients accept that in some areas the prices are higher, because FSC certified wood is simply a little bit more expensive [...]”. In addition, the French, the German and the Canadian distributors have recognized that their clients increasingly ask for certified wood.

However, willingness to pay seems to be much lower on the US market: “the European market is much more demanding as regards certified products than the US market” says the quality manager at the Brazilian plant. In fact, though the US distributor is very positive about sustainable development issues, he just does not see a market for it:

“Well, in my personal opinion I feel that, I feel that it’s a great, great idea, I feel that everybody should jump on board with, it’s just that the people who go to Wall Mart or to mass retailers are willing to pay the money. It is an all and nothing deal. You can’t have a company that thinks they can be competitive simply being sustainable if you don’t have a market for. And, you know the thing is, the people are wanting for everybody to be environmentally responsible but, they don’t, don’t realize the cost and they are not willing to pay for.” (Interview 7)

FSC Certification

As for FSC certification, JOBEK’s production facilities are regularly audited by SGS, an auditor firm who certifies the whole chain of custody¹. In addition, the firm has implemented complementary sustainable, environmentally friendly practices, such as the use of environmental and human-friendly tinctures, and the owners plan to set up a carpenter school for local people.

As mentioned, FSC certification is an internationally recognized and credible quality seal with a highly dominant position both in Brazil and in Eastern and Central Europe (Cashore et al., 2006). These high market shares both in producer and consumer markets enhances visibility on the retail and consumer market which could make it difficult for competitors with different certifications to increase their market share. In this context, it is important that FSC has been strongly pursuing a proactive marketing strategy in the eyes of JOBEK’s owner: “FSC is just one certification among others. Only FSC managed to make a [...] create a name, a brand, a lobby, also that today FSC seems to be the strongest certification by name which exist, at least in Europe.” Altogether, the value chain presents high credibility and protection against imitation.

Hence, according to our interviewees, clients’ willingness to pay is still almost inexistent in the US, but already present in the European market, though to different degrees, with German clients leading and French clients a bit lagging behind. Thus, we may conclude that the global value chain which starts with Brazilian FSC certified wood suppliers and ends in Europe and Canada, does support JOBEK’s differentiation strategy, while the chain which goes to the US market does not. Therefore, we propose that:

Proposition 2: Sustainable Global Value Chains will be internationally competitive if they adopt an overall product differentiation strategy which is supported by the different players of their global value chain.

As follows from what has been said about bargaining power and governance in global value chains, a product differentiation strategy is more likely to succeed if the power balance is symmetric like in value chains with network governance. Thus we posit:

Proposition 3: In Sustainable Global Value Chains, a product differentiation strategy is interdependent with the power balance between value chain players.

Awareness building all along the Global Value Chain

Supply

As mentioned above, the JOBEK Group has some difficulties to find suppliers in Brazil. There are few certified suppliers and it is difficult to establish a long term relationship. In this sense the JOBEK Group sometimes plays a role of “coacher” to develop existing as well as new potential suppliers. The interview 3 gives an example of a supplier that has managed to get the certification because of JOBEK’s support, help and influence.

“As an example, we used to work with furniture suppliers. So, we show them how important it would be if they got the certification for their wood. They went to Europe. They went to some conferences with us, they met big suppliers there. I helped them with all the certification. I pass them all my knowledge and now they are certified.” (Interview 3)

In addition, the suppliers also have an awareness building role. They have to constantly coach their employees to recognize the importance of wood certification and to continually respect the rules. This is central to maintaining the certification and to guaranteeing the differentiation strategy all long the sustainable global value chain. Besides, awareness building in the upstream part of the chain is intended to maintain or increase certified wood supply, which could mitigate the bargaining power asymmetry between wood supplier and producer and therefore contribute to the competitiveness of the sustainable global value chain (see proposition 6 below).

Product design, production and certification

The JOBEK Group also has an internal awareness building role. They need to coach their employees about the function of their certification for the company’s differentiation strategy and international competitiveness. Several interviewees explained how they try to coach their employees about the importance of working with FSC wood. The export manager remembers: “We show them [...] we have videos, little conferences [...] every end of the year we show them the importance of their work [...] what is a certified product [...]” (Interview 2). They make annual meetings and conferences about the subject and they also give initial guidelines for their new employees.

Probably as a consequence of JOBEK’s efforts, several value chain partners see the JOBEK Group as a proactive company as far as environmental issues is concerned. For instance, interviewee 11 states that ““Jobek can be considered as a pioneer in its sector. It is in the second cycle of certification [...] considering that each cycle means 5 years; we can say that they really know the rules.” and interviewee 5 remember that “Here, in Brazil, JOBEK is our strongest client.” (Interviewee 5)

The environmental strategy starts to make sense and the employees can be stimulated for future sustainable individual actions as suggested in Ramus & Steger (2000), Bansal & Roth (2000) and Bansal (2003).

International distribution and retail

Concerning Jobek’s international distribution we have identified two different realities, quasi-hierarchical and network type chain governance. As for the former, the American distributor and joint-venture partner, sees some difficulties to introduce FSC

certified products in the American market. However, he admits that it is not JOBEK's role to change this reality and he knows that he has to push this process: "If I just order a regular hammock, they are going to assume that it is non-FSC because it costs so much. So, I think that push, if anything, would come from me, not from them."

On the other hand, JOBEK plays a catalyze role in a global value chain characterized by network governance. The Canadian distributor points out that he could explain to their clients, but it is JOBEK that should push the global chain, considering that they are responsible to buy certified wood.

"It is certain that JOBEK has the biggest responsibility, because they are responsible for buying the wood, and they are responsible for guaranteeing that everything is correct in the beginning of the chain [...] we are in the end of the chain [...] we can't make much more than demand FSC certified products from our supplier [...] we can explain to our clients the advantages of it [...]" (Interview 6)

However, the French distributor recognizes that they have a key role concerning awareness building vis-à-vis their end client: "I think that in the end, it will be the distributor [...] the more we have manufactures that offer certified products, the more the consumer will see it and the more he will be in a condition to buy this kind of product."

The German quality manager and distributor has carried out some impacting but, somehow, isolated activities in order to build awareness and prepare one of his major retailers for certified wood products:

"I remember a case, four years ago, when I discussed and established, over half a year, a quality management group in a large retail group. There we also cared about that the retail group did no longer accept uncertified wood; then the materials had to be processed according to eco-standards. Well, this was the only activity which I remember, when I worked together with quality managers in order to develop these things." (Interview 8)

We may follow from these statements that different players in the value chain have different opinions about who should be in charge of awareness building activities. In fact, the owner (interviewee 4) thinks that the responsibility of awareness building should be FSC's (see below). In spite of this, our interviews suggest that the message seems to arrive at retailers in the global chain which uses network governance, but not in the quasi-hierarchically governed chain.

Clients

There is a clear difference between the consumer in the quasi-hierarchical chain (American consumer) and in the network chain. Interviewee 3 remembers that this fact has an impact on JOBEK's production since all products for the European market are certified: "So, for Europe, we sell 100% of certified products." (Interview 3).

It is clear that customer awareness is moving the global value chain. In France, "Yes, in France there is an awareness building process [consumers] since 5 years ago [...] they start now to have a more environmental engaged logic." (Interview 9); and in Canada, "I feel that it changes a lot, because before it was our responsibility to talk about it with our clients and now it is our clients that demand FSC from us [...] well, this makes pressure on everyone who is part of the chain to be able to find and to make this kind of products [...]" (Interviewee 6); an environmental consumer movement is occurring in the last years.

However, consumers need to know what FSC certification actually means. Many consumers already know that it is important to respect the environment and to buy certified products, but, sometimes, they do not know what the certification means. The French distributor states that "the consumer does not know in details what it means [...] however, with the brand, the certification, the consumer who is interested in environmental questions knows that he buys a product derived from 'environmental management'". (Interview 9).

Conversely, as long as the customer does not really know about the certification, he will search cheaper products, as points out JOBEK's owner: "The most important should be the consumer. The consumer. The final part [...] buys hammocks, to use it at home. Because, if he does not know what FSC means, he can buy another product because it is cheaper." (Interview 4)

In synthesis, awareness building among the population seems to have helped to create a recognized brand which, today, has inverted the dynamics of the chain from producer push to client pull. This has increased the importance of CSR product manufacturers vis-à-vis global buyers, making bargaining power relations more symmetric at this point of the chain and fueling a CSR product based differentiation strategy (see proposition 6 below).

FSC Certification

Perhaps one of the most important players for the awareness building process is the FSC (Cashore et al., 2006). Awareness building has been the main cause of the international notoriety that this brand has gained. As pointed out by the JOBEK's owner (interviewee 4), the FSC is crucial for marketing in the chain, whereas JOBEK could not afford it to assume a greater awareness building responsibility.

“We don't have the financial conditions to do that. It is a cost issue. And who most helps us is FSC. They should do this work. They buy some space in magazines [...] [...] in order to explain to consumers what means certified wood. What means FSC. They go to trade fairs [...] In every trade fair, FSC has a stand, a forum, publications. They carry out this publicity work.” (Interview 4)

Mainly working with the final customers, FSC can continue to disseminate environmental consciousness. Maybe they need to be more persuasive in some countries where the idea is still incipient. These efforts seem to stimulate customers to demand and pull sustainable global value chains. Consequently, these market based mechanisms help to develop the market segment where JOBEK is active with its differentiation strategy (see proposition 5 below).

Our case evidence suggests that all players in the sustainable global value chain, from FSC certified wood suppliers to the end clients are actively involved in awareness building activities. Some chain partners, such as the producer who develops new certified wood suppliers or the German distributor who developed quality management systems together with retailers even carry out awareness building activities in a cooperative manner. Clearly, the spread of the sustainability idea from one manager to another, from one value chain player to another and from one country to another is important to strengthen the entire sustainable value chain. This is important as nowadays, global competition is no longer restricted to individual firms but rather takes place among different global value chains. Therefore, we propose that:

Proposition 4: Sustainable Global Value Chains will be internationally competitive as long as awareness building about sustainability reaches all chain players.

As it has been suggested above, awareness building activities may also influence the product differentiation strategy and the power balance between the players of a sustainable global value chain.

Proposition 5: In sustainable global value chains, a product differentiation strategy is interdependent with awareness building about sustainability.

Proposition 6: In sustainable global value chains, the power balance between chain players is interdependent with awareness building about sustainability.

DISCUSSION & CONCLUSIONS

In this research we sought to explore an emergent field casting some light on the conditions which are likely to influence the competitiveness of sustainable global value chains. As suggested by some authors (SIGGELKOW, 2007; YIN, 2002) we have chosen a

case study design as our research strategy because we were aiming to explore a potential new field represented by a particular context.

Compared to conventional global value chains, sustainable global value chains might be influenced by certification agencies which set and enforce product and process related parameters. These environmental and social parameters impose new costs on the chain and decrease price competitiveness of CSR products. Consequently, the chain needs to adopt a differentiation strategy, focusing on specific market segments that are willing to absorb CSR products.

In sustainable global value chains, power relations may change as well. Although bargaining processes are present as in non-sustainable chains, we do not have a simple buyer-driven or supplier-driven chain any longer, because the certification organization is simultaneously influencing all stages of the chain. Thus, FSC keeps the entire chain working according to its parameters.

Finally, awareness building all along the chain is another important difference compared to non-sustainable chains. A successful differentiation strategy presupposes that all the players of the sustainable global value chain be committed to awareness building about CSR issues in general and certification in particular. Even if it is not self-evident for all players in the chain, they recognize that they have room to act. Building awareness from component and raw material supply up to end users, aforementioned differentiation strategy falls on prosperous turf, becomes more coherent and contributes to increasing international competitiveness.

Although these mentioned contribution of this article, as a case study, this research limits itself to produce propositions to inspire hypothesis development and tests. Future research might expand our framework and derive validated models. Practitioners are encouraged to use our propositions as guidelines to successfully implement sustainability into their global value chains.

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¹ This means that all elements of the global value chain, from the wood plantation to retailers, must be evaluated and certified. The certification auditor verifies 6 principles: 1) documental control system; 2) confirmation of certified inputs; 3) separation of certified from non-certified inputs; 4) secure product labeling; 5) identification of certified outputs; 6) record keeping.