Investigating the Drivers of Corporate Social Responsibility (CSR) in the Global Tea Supply Chain: A Case Study of Eastern Produce Limited in Malawi

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Abstract

Using a case study of the tea producer Eastern Produce Malawi, this research investigates which factors influence companies upstream in global tea supply chains to adopt a corporate social responsibility (CSR) agenda. Although external pressures, such as demands from Western consumers or international organizations and their related initiatives, may have shaped Eastern Produce Malawi’s CSR agenda, strong internal organizational contingencies, including transformational leaders who recognize the significance of ethical issues and strong organizational values, led it to adopt this CSR agenda in practice. This study underscores the significance of using an integrative framework to explain various CSR drivers for companies. It concludes with managerial and public policy implications, as well as areas for further research.

Keywords: corporate social responsibility; Malawi; global supply chain; sustainable development; stakeholder engagement.
Many Western companies and developing country suppliers operating in global supply chains engage in corporate social responsibility (CSR) practices, primarily in the form of codes of conduct for producers (Van Tulder et al., 2009). Companies based in the West adopt CSR practices in global supply chains for several reasons (Kolk, 2005; Seuring and Müller, 2008), including increasing pressures exerted by influential external stakeholders. Yet whereas the drivers of a Western CSR agenda have received relatively extensive coverage, fewer studies investigate factors that drive the adoption of CSR agendas by upstream suppliers in developing countries (Kolk, 2013; Welford and Frost, 2006), and those that do reaffirm the dominance of external factors, such as increased pressure from Western buyers, in driving these CSR agendas (Ciliberti et al., 2009; Kolk, 2005; Mamic, 2005).

Yet some studies (e.g., Locke and Romis, 2007; Lund-Thomsen, 2008), together with recent real-world scandals involving upstream suppliers, raise doubts about the effectiveness of demands from Western markets in encouraging suppliers to adopt CSR-oriented production practices (Ethical Corporation, 2013; United Nations Global Compact, 2013). The United Nations Global Compact’s (2013) report doubts companies’ ability to promote sustainability in global supply chains, noting that “a minority of companies report that they assist suppliers with setting goals (18%), reward performance on sustainability (15%), and review or verify remediation plans (16%).” Because market pressure alone cannot account for suppliers’ CSR practices, continued studies need to examine internal organizational factors, in parallel with external pressures, that drive the adoption of a CSR agenda (Du et al., 2013). That is, developing country suppliers respond to constellations of influences; we pursue a unified view by combining firm and stakeholder theories to explain how various organizational contingencies and external environmental factors motivate companies to engage in CSR. To test our proposed explanation, we consider the case of a subsidiary of a U.K. firm, operating in Malawi, as a member of a global tea supply chain.
In the next section, we establish the theoretical background for our study, before introducing our study methodology. We also provide a rationale for selecting our case study company and industry. After we describe our data collection and analytical procedures, we report our findings. Finally, we draw some implications for managers and policy and make recommendations for further research.

**Drivers of CSR: A Firm–Stakeholder Perspective**

Among various studies that propose classifications of CSR drivers, Muller and Kolk (2010) suggest a categorization into external and internal drivers: External drivers are pressures generated in the firm’s external environment with strong influences on its responses to societal issues, and internal drivers are morally laden forces embedded in the firm’s structures and systems, motivating it to position itself as ethically aware. We also draw on Kurucz et al.’s (2008) framework, which integrates the instrumental and ethical factors that influence a company to adopt a CSR agenda. The drivers of CSR reflect three principal themes: cost and risk reduction, reputation and legitimacy, and competitive advantage. Because organizational contingencies might drive the CSR agenda of any company, we also include these as a fourth theme. Thus, we propose the four-part conceptual framework in Figure 1 to explicate the drivers of CSR.

{Insert Figure 1 about here}

*Organizational Contingencies*

Organizational attributes (internal contingencies) define the perceptions and CSR path an organization takes (Logsdon and Yuthas, 1997), often reflecting the personal values and interests of managers or owners (Hemingway and MacLagan, 2004; ; Walker and Brammer, 2013; Weaver et al., 1999). Several studies highlight the significance of managers’ personal values and discretion in shaping a company’s behaviors (Hemingway and MacLagan, 2004; Muller and Kolk, 2010). Because managers represent core decision makers, those with strong
ethical values likely spur their organizations to make ethical considerations fundamental (Carter and Jennings, 2002; Walker and Brammer, 2013). The personal values of managers likely are particularly crucial in situations in which managerial discretion is required and social actions are not necessarily rewarded (Cheng and Kenser, 1997).

Values also determine the practices organizations pursue to achieve their objectives. Because values contain some normative aspects, they likely have significant bearing on the organization’s moral development (Logsdon and Yuthas, 1997), in that they determine its distinct organizational culture but also provide clues about how it will respond to environmental stimuli, such as societal issues (Sharma, 2000). Corporate values are crucial not just for organizations that operate in environments with relatively low ethical expectations but also in contexts in which business responses to societal issues are influential (Heugens et al., 2008). In countries where corporate misconduct is rarely punished, organizations with strong moral values are more likely to exhibit ethical behavior than those with little or no moral values.

Cost and Risk Reduction

Some recent scandals highlight the costs and risks global companies face, such as reputational damage, litigation and strict regulatory regimes (Orlitzky and Benjamin, 2001), and fraud and corruption charges. Companies that operate in global supply chains can minimize such risks by embracing CSR standards in their production and purchasing practices (Jenkins, 2001; Lindgreen et al., 2013; Millington, 2008; Morali and Searcy, 2013). For example, for publicly listed companies operating in global supply chains, CSR practices can help minimize exposure to risks that might affect their stock prices or access to credit (Scholtens, 2013). Examining the relationship between CSR and exposure to reputational risk in stock markets, Orlitzky and Benjamin (2001) find that companies with better social performance achieve stock price increases because of their positive social
reputations. A social reputation, built on an ability to minimize social and environmental risks, thus can send strong market signals, especially to socially aware investors, who demand high levels of social and environmental risk management and threaten stakeholder activism or litigation (Vogel, 2005).

Therefore, CSR fundamentally contributes to risk management by addressing stakeholders’ expectations, which enhances the company’s relationships with its stakeholders (Morali and Searcy, 2013). However, whether risk management serves as a stand-alone driver of CSR in global supply chains remains uncertain (Ethical Corporation, 2013; United Nations Global Compact, 2013); risk management might drive CSR only in the presence of enabling economic conditions and normative pressures (Hooker et al., 2013; Morali and Searcy, 2013).

Reputation and Legitimacy

A license to operate is central to a company’s survival (Suchman, 1995). To attain legitimacy, companies must adjust their behaviors to match societal expectations and pressures (Sethi, 1975; Suchman, 1995). Because it helps them meet social expectations, CSR can help companies achieve such legitimacy; in turn, companies often feel pressured to build a strong CSR reputation to attain legitimacy (Wood, 1991). Companies implement CSR initiatives to respond to stakeholders’ expectations (Harms et al., 2013; Lindgreen et al., 2012) and enhance their corporate image, which influences stakeholders’ perceptions (Skaar and Fet, 2012). Again in this case, aligning CSR practices with stakeholders’ expectations helps companies foster stronger relationships (Donaldson and Preston, 1995), including with nongovernmental organizations (NGOs), local communities, suppliers, consumers, shareholders, and governments (Hall, 2002; Seuring and Müller, 2008). Stakeholders support such companies and extend them licenses to operate in their society (Suchman, 1995).

Competitive Advantage
Companies also address social and environmental concerns in their supply chains to achieve competitive advantages over less socially responsible rivals (Ciliberti et al., 2009; Gold et al., 2010; Hooker et al., 2013), assuming the benefits of implementing CSR practices in supply chains outweigh the costs of undertaking such initiatives (Heikkurinen and Forsman-Hugg, 2011). In this calculus, a company’s social reputation should increase consumerism (Bhattacharya and Sen, 2004; Smith, 2008), such that socially responsible companies are more likely to attract customers than unethical companies. Socially responsible behavior helps the company build a positive image among potential and existing customers, which should encourage positive evaluations of its offerings (Lindgreen et al., 2013; Tate et al., 2013). In contrast, socially irresponsible companies tend to be more vulnerable to consumer boycotts or protests. Such impacts may be mediated by product attributes (quality and price), consumers’ perceptions of CSR and personal values (Trudel and Cotte, 2009; Vogel, 2005), or consumers’ purchasing power (Smith, 2008).

The adoption of a CSR agenda may help companies achieve competitive advantages through increased resource use efficiency and cost reduction too (Harms et al., 2013; Porter and Van der Linde, 1995). Sustainable supply chain management practices can improve working conditions and employees’ quality of life, as well as production processes (Handfield et al., 2005). As immediate benefits, social practices reduce compensation costs due to injuries and lower production costs through waste reduction (Handfield et al., 2005). Finally, socially responsible companies enjoy lower exposure to social, regulatory, and reputation risks (Porter and van der Linde, 1995) that might limit access to vital resources and markets (Chkanikova and Mont, 2012).
Methodology

Data Collection

We conducted a qualitative case study, including 37 semi-structured interviews over the course of two and a half months of field work in Malawi and the United Kingdom. We interviewed Eastern Produce Malawi’s managers, employees, and external stakeholders, including representatives from tea packers, certification organizations, government, industrial bodies, smallholder farmers, and communities (see Table 1). The interviews lasted between 20 minutes and 2 hours and were recorded, with the consent of the respondents.

The questions primarily focused on the factors and institutions that have influenced Eastern Produce Malawi’s adoption of a CSR agenda. We began with a brief explanation of the background and aims of the study, then issued open-ended questions that allowed the respondents to articulate their responses freely. For example, to obtain a broad sense of Eastern Produce Malawi’s motivations, we asked the managing director to provide information about the genesis and implementation of its CSR agenda. Thus we gathered information about internal organizational dynamics, as well as the various relationships Eastern Produce Malawi has with its stakeholders. In addition, we conducted four separate 2-hour focus groups, involving two host communities and two groups of workers, to obtain an in-depth understanding of issues specific to each group (Bryman, 2004). We sought permission to attribute the various quotations included in this article to individual members; the community focus group respondents agreed, except for the group of workers, who declined such attributions, out of fear of reprisal if managers attributed any negative information they provided.

We also undertook visits to company sites to observe employees at work and various business practices. We reviewed publicly available documents (Yin, 1994), which helped us
develop a better understanding of Eastern Produce Malawi’s operations and supplemented information gathered from the interviews.

Data Analysis

To facilitate the data analysis, we transcribed the recorded interviews and field notes and subjected these transcriptions to thematic analysis. We used both open and axial coding, to obtain a deeper understanding of the various CSR motives for Eastern Produce Malawi. To begin, we evaluated the relevance of Kurucz et al.’s (2008) theoretical framework for our study context. For the major themes, we developed a primary list of codes from our theoretical framework and literature on CSR and supply chain management (Miles and Huberman, 1994). After identifying the themes a priori, we developed categories for four codes: organizational contingencies, cost and risk reduction, reputation and legitimacy, and competitive advantage. This step facilitated the open coding; we carefully examined the transcribed data and sorted them according to their differences and similarities. As we show in Table 2, through axial coding we organized the data into subcategories and sub-themes with some resemblance to the a priori themes (Lindgreen et al., 2012). Corporate social responsibility is a social phenomenon, so different actors express varying perceptions and expectations. For example, in the main category of reputation and legitimacy, we identified sub-thematic issues, such as community expectations, industry pressure, regulatory pressure, and the influences of international governance organizations, in the coded data.

{Insert Table 2 about here}

Findings and Discussion

We organize this discussion according to our framework of CSR drivers (Figure 1). Our data reveal that Eastern Produce Malawi’s CSR agenda is influenced by nine related factors that appear within four analytical themes derived from the framework (see Table 2).
Organizational Contingencies

**Top management commitment.** Managers’ commitment to ethical issues is one of the most significant factors driving the incorporation of CSR into Eastern Produce Malawi’s business practices, as the following sentiments reveal:

You know my family: my mother came to Malawi in 1928. I have lived most of my life here. So I consider—even if I am not a Malawian citizen—this as my home. My grandfather came to Malawi in the early 1890s. So my association with Malawi is long and my family has been here for over 80 years, and I love Malawi. When I see poverty around me, I feel that I have to put something back; as little as it is something has to go back. That’s why we started helping communities way before these [standards organizations] came in with their programs. (Managing director, Eastern Produce Malawi)

The [managing director] is doing a lot of development work in our district because he has lived in this district since he was a very young boy, he also regards himself as one of us. I have on many occasions interacted with him—it appears that he has the welfare of our communities at heart. (Chair, Eastern Produce Tea Outgrowers)

Thus top managers’ background, experience, and personal values influence a company’s orientation toward ethical or moral issues. In this case, the managing director’s commitment to the CSR agenda and his wider role in lobbying the business community to embrace CSR were influenced by his personal values and close connection with the country and communities. Lindgreen et al. (2012) uncover similar findings regarding the influences of historical or family connections in a community on the commitment top managers express toward social issues that affect those communities. By virtue of his influence within Eastern Produce Malawi, the managing director was well positioned to commit organizational resources to social issues. This commitment appears particularly significant in Malawi, where
the marketplace generally does not reward socially conscious behaviors but rather tolerates unethical behaviors. The managing director’s personal values and sense of personal attachment to the country influence his urgent response and unwavering commitment to external demands, whereas other tea-producing firms find these demands difficult to address.

*Pressure from parent company.* Eastern Produce Malawi’s CSR agenda is greatly influenced by its parent company Camellia International Group, a publicly listed company on the London Stock Exchange:

We operate in diverse cultural, commercial and regulatory environment and are exposed to a corresponding wide range of social, environmental, and ethical issues. We aim to ensure that these issues are well managed in all of our business, and we attach importance to their continuous improvements. The Board of Camellia PLC is responsible for establishing the group’s policy on corporate social responsibility and has given the Executive Committee responsibility for ensuring that the policy is implemented across the group in a manner appropriate to those countries and sectors in which our business operates. (Camellia’s CSR Policy)

Some few years ago, I remember someone from our headquarters held a meeting with us where we were informed about the treatment we are supposed to get from our bosses. We were also informed about the need to preserve the environment in our work programs and not to engage in corrupt activities when we are undertaking work-related tasks. He said that they want Eastern Produce Malawi to be a shining example among tea companies in Malawi. (Focus group discussion with male workers)

That is, Camellia seeks to influence its subsidiaries’ ethical policies to achieve alignment with the London Stock Exchange’s requirements for managing social and environmental risks. For Eastern Produce Malawi, the pursuit of a CSR agenda mirrors its parent company’s CSR agenda and core values, representing a deliberate effort to attain internal legitimacy; it
remains dependent on Camellia for continued access to some vital resources. Furthermore, these extracts indicate Camellia International Group’s awareness of cross-national variations in the CSR issues that its subsidiaries confront. Thus it grants them substantial autonomy in determining the nature of the agenda, to reflect local stakeholders’ expectations and culture. However, such autonomy can be problematic in foreign countries in which societal expectations and regulatory regimes are relatively low or weak. As Yang and Rivers (2009) argue, parent companies with high ethical thresholds likely influence their subsidiaries to implement CSR agendas that mirror their own preferences.

_Shareholder activism._ Pressures for Eastern Produce Malawi to embrace ethical business practices also come from shareholders, including the Industrial Development Corporation of South Africa (IDCSA):

We have a minority shareholder IDCSA who has 26%. IDCSA is an investment arm of the South African Government. It has a member who sits on the Board of Eastern Produce Malawi, and is very keen on CSR. (Managing director, Eastern Produce Malawi)

As a state-owned development finance institution under the supervision of the Economic Development Department, the IDC’s mandate is to promote economic growth and industrial development in South Africa and the rest of the continent. Our Corporate Social Investment (CSI) bias is towards education, sustainable livelihoods and special interventions.⁵

We support responsible environmental practices and integrate them into all our activities by: i) managing the impacts of all projects, ii) promoting the responsible use of all resources; and iii) encouraging the use of environmentally friendly products.⁶

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⁶ [http://www.idc.co.za/about-the-idc](http://www.idc.co.za/about-the-idc)
By virtue of its membership on the board of Eastern Produce Malawi, the IDCSA can introduce shareholder resolutions to encourage top management to adopt socially responsible behavior, in line with its existing policy. This influence represents a direct external, pressure. Because IDCSA is a state-owned development arm, its stance may have been guided by the desire to provide for public good, as well as by its need to comply with the strict reporting requirements of the King III Code of Corporate Governance, which requires South African companies to report social, environmental, and economic performance (Institute of Directors Southern Africa, 2013). The influence of shareholders and investors on companies’ adoption of CSR agendas has been investigated (Sparkes and Cowton, 2004; Vilanova et al., 2009), but we also show that such investors are more likely to take a strong position on social issues that could affect the profitability of the firms in which they invest.

*Risk Reduction and Management*

Eastern Produce Malawi is exposed to various external and operational risks that threaten its long-term profitability and external legitimacy. For example, corruption and fraudulent practices might involve it stakeholders or employees. A government official explained how the adoption of ethical practices would benefit Eastern Produce Malawi:

> The private companies, including your case study, have recognized the negative impact of corruption and fraud on their business health. Because of this, they have seen that it is more important to support this government’s agenda of reducing corruption by establishing the Business Action against Corruption. (Principal anti-corruption officer)

Embracing anti-fraud and corruption prevention measures reduces the risk of financial losses, though management implemented these measures in response to the Government of Malawi’s agenda to eradicate corruption, that is, in pursuit of external legitimacy. Considering the substantial international attention focused on corruption, if Eastern Produce

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7 Before King III became effective in 2011, companies were regulated by King II, which also required South African companies to adopt a triple bottom-line reporting framework.
Malawi engaged in corrupt activities, its risk of reputation damage would be great. On the flip side, the benefits of anticorruption measures include enhanced reputation among influential stakeholders, such as shareholders, international governance organizations (e.g., United Nations Global Compact), regulatory institutions, and Western buyers.

**Reputation and Legitimacy**

*Community expectations.* Local communities face significant socio-economic challenges, including worsening poverty, high population growth, the prevalence of HIV/AIDS, and poor access to basic social services. The Government of Malawi also faces severe resource constraints in working to provide for societal basic rights, leading it to call for increased private sector interventions (Government of Malawi, 2006). The state’s failure to provide basic rights has raised community expectations of the level of societal governance private companies should exhibit, as the following remarks from stakeholders reveal:

We believe that Eastern Produce Malawi has an obligation to help in the development of our communities because it is where they get people who work for them, but also it is humane to do so. (Focus group, Khoviwa Village, Traditional Authority Chikumbu)

The depth of the challenges that Eastern Produce Malawi’s host communities face and their expectations about Eastern Produce Malawi’s role in community development thus provide significant antecedents of CSR initiatives. In particular, its CSR agenda is a response to local cultural and religious values that call for charitable giving and assert that visitors bring hope to host communities (Kayuni and Tambulasi, 2012).

It started implementing community projects long before market-based pressures for CSR became pervasive, so these projects likely reflected a recognition and acknowledgement of the notion of fairness and strong cultural values. By aligning its social initiatives with community expectations, Eastern Produce Malawi may have achieved a social license to operate, in line with Mzembe and Downs’ (2014) findings in the Malawian mining industry.
Yet the participants in one focus group considered Eastern Produce Malawi’s engagement in community development from an instrumental viewpoint, expressing awareness that this involvement initiatives might improve community well-being but also provides the company with direct and indirect benefits, including enhanced human capital and a social license.

**Pressure from industry.** The Tea Association of Malawi is an industry organization that represents the interests of tea-producing companies and influences tea companies by establishing CSR standards and benchmarks with which member companies are expected to comply. The responses from the chief executive of the association and the former Deputy Minister of Trade and Industry confirm its influence:

So we make sure that our producers comply with the requirements out there: not only from the consumer point of view, but also from a regulatory perspective regarding imports and consumption. We have set minimum standards of CSR that we enforce, but we allow companies to go beyond that. Those companies that fail to implement CSR within their operations are struck off from our membership register. (Chief executive, Tea Association of Malawi)

We always work with the Tea Association of Malawi, a representative of tea companies in Malawi when we have some issues with one of their members or the industry as a whole. We know that the association has some influence over business practices of their membership through its own standards and codes which members have to abide by. (Former Deputy Minister of Trade and Industry)

These descriptions reflect how the tea industry association is attempting to institutionalize CSR across its membership, including Eastern Produce Malawi. Its influence can be considered in terms of CSR standards, whose enforcement is achieved primarily through peer pressure mechanisms. Member companies monitor one another’s compliance with the standards by using ad hoc audits of business practices by a sub-committee of the association.
Noncompliance leads to penalties and exclusion from the membership list; by complying with the CSR standards of the association, Eastern Produce Malawi earns rewards, such as access to international markets and greater influence over public policies that could affect its operations. As the largest tea company and member of the tea association, Eastern Produce Malawi frequently participates in industry lobbying for better policies and international trade terms, reflecting Galaskiewicz’s (1991) argument that companies adopt industry-prescribed social practices when normative institutions offer a strong business case for them. Thus, the Tea Association of Malawi’s ability to connect economic benefits and policy to social performance likely further motivated Eastern Produce Malawi to align its social policy with the preferences of the association.

*Regulatory and policy pressures.* Consistent with previous supply chain research (Morali and Searcy, 2013; Seuring and Müller, 2008), Eastern Produce Malawi’s business practices are regulated by national legislation and policies related to labor relations, employment conditions, and environmental management. However, in the agricultural sector, social regulations appear to attract more managerial attention than environmental governance concerns, perhaps because workers’ conditions in global supply chains attract more stakeholder interest. Key regulations include the Employment Act (2000), Occupational Health and Workers’ Safety Act (1997), and Labour Relations Act (1996), all of which derive from the International Labor Organization’s conventions, to which Malawi is a signatory. These regulations provide for the protection of workers’ rights, including children’s rights, in commercial agricultural subsectors. The shaping role of regulations for the CSR agenda was confirmed by a senior government official:

> Our job is to enforce regulations by conducting inspections to tea estates, providing information and imposing sanctions in case of non-compliance. Our laws provide the minimum level of compliance, but our expectation is that employers should provide
better conditions for their employees. (Deputy Commissioner of Labour, Ministry of Labour)

Although Eastern Produce Malawi’s CSR agenda is partially shaped by state regulations, their efficacy for driving CSR practices is problematic. First, similar to most state regulations in the developing world, those related to Eastern Produce Malawi’s business practices demand only a minimum level of compliance. In many circumstances, minimal compliance does not ensure strong ethical standards (Carroll and Shabana, 2010). For example, Eastern Produce Malawi pays more than the statutory minimum wage to its estate and factory employees, but even this higher level is not a decent or living wage, according to the majority of the workers who participated in our focus group discussions.

Second, these regulations are intended to encourage good corporate practices and protect stakeholders, yet their enforcement is greatly constrained by an acute lack of resources that leaves some corporate misbehavior undetected and unpunished. Such a situation can breed a sense of laxity within the corporate sector, such that weak stakeholders remain largely at the mercy of the companies. Third, the lack of institutional capacity, as one labor official stated, implies dependence on companies, which fund the monitoring visits by government officials. Such dependence potentially creates substantial conflicts of interest, should the sponsoring firm fail to comply with the regulations.

*Pressure from international organizations.* Recognition of unethical practices in global supply chains has led international organizations and Western governments to take the lead in establishing norms and voluntary standards to guide businesses in managing their supply chains. Their influence on Eastern Produce Malawi’s CSR practices also has been pervasive; evidence suggests it embraced its current employment and labor-related practices to meet the demands of various international collaborative initiatives:
We are founding members in Kenya of UN Global Compact; we are a founder member of Business Action against Corruption and United Nations Global Compact in Malawi, and we make sure that we do our business to standards required of a member of the Compact and the Business Action against Corruption. (Managing director, Eastern Produce Malawi)

A primary influence on its CSR agenda is the United Nations, through its Global Compact. It is no coincidence that the core issues on Eastern Produce Malawi’s CSR agenda, such as upholding workers’ rights, ecological preservation, and combating corruption, are among the ten principles listed in the Global Compact. Similar to state regulations, compliance with international governance standards offers Eastern Produce Malawi implicit legitimacy, because such international institutions wield substantial power and can affect firms’ long-term survival. This claim was corroborated by a representative of the International Labour Organization (ILO) in Malawi, who also described its influence on employment policies:

ILO indirectly works with tea estates through various industry bodies such as the Tea Association of Malawi and the Employers’ Consultative Committee which work in a tripartite arrangement with the Government of Malawi and the trade unions representing workers in Malawi. Our work in this respect has been to provide technical capacities and direct funding to the Government of Malawi and NGOs to implement some employment-related activities in line with our Conventions which the Government of Malawi ratified. (Program officer, ILO)

These comments affirm the view that CSR institutionalization needs to go beyond compliance with hard and soft regulations, which represents the approach adopted by the United Nations Global Compact. Instead, ILO regards the development of strong civil society organizations, together with effective tri-sector partnerships among industry, government, and labor, as key to facilitate the adoption of ethical practices.
The two types of international organizations thus provide Eastern Produce Malawi with contrasting business cases for the pursuit of CSR practices. Both ILO and the United Nations Global Compact can confer implicit legitimacy, but the Global Compact can also enhance Eastern Produce Malawi’s reputation by publicizing its CSR practices, such as in an article about its anticorruption drive (United Nations Global Compact, 2009).

**Competitive Advantage**

Eastern Produce Malawi sells tea to buyers in the Far East, but a more significant volume sells in Western markets. Therefore, pressure from tea companies, through their certification and standards organizations, offers a significant driver of Eastern Produce Malawi’s CSR agenda. Their influence derives largely from codes and standards with which Eastern Produce Malawi is required to comply to gain access to the markets, as explained by respondents from the Ethical Tea Partnership, a U.K.-based certification organization and the largest buyer of Eastern Produce Malawi’s tea:

We monitor producers based on the local social laws and the International Labour Organization conventions. We are working with them on issues like: workers’ conditions, energy and waste management and wildlife preservation. (Program manager, Ethical Tea Partnership)

We are a member of Ethical Trading Initiative, and we are required to buy our tea from producers which follow the Ethical Trading Initiative standards in all of their production processes. In Malawi, we helped East Produce Malawi to improve working condition of workers and implement Ethical Trading Initiative’s base code. (Typhoo manager, responsible for producer relations)

Beyond using codes and standards based on a “checklist” approach to increase uptake of CSR initiatives, buyers and their organizations work closely with Eastern Produce Malawi in continuous improvement programs to institutionalize CSR practices in production processes.
This approach likely benefits both buyers and Eastern Produce Malawi. In addition, establishing close relationships, based on capacity building, can help suppliers adopt CSR practices (Mamic, 2005), which then enables buyers to meet the sustainability expectations of their consumers and provide access to ethically produced tea.

Although such codes and standards are crucial drivers of ethical practices, they are vulnerable to two fundamental problems. First, as one of our respondents stated, codes rely heavily on local social laws, which tend to be weak in developing countries and require only minimal compliance. Second, they promote voluntary forms of compliance, which may be ineffective for substantially changing corporate behavior, especially among companies lacking moral values. Codes and standards instead may be most effective when companies already recognize the strong business rationale for compliance.

Conclusions

We have examined the motivation of Eastern Produce Malawi to implement a CSR agenda. Our literature review integrates stakeholder and firm theories, including Kurucz et al.’s (2008) framework, to which we add the influence of internal organizational factors on a company’s social orientation (Walker and Brammer, 2013). With this framework, we highlight the influence of internal organizational contingencies, including top management commitment and parent company values, which tend to be overlooked in CSR studies of global supply chains. The external factors, such as consumer and industry pressures, community expectations, state regulations, demands from international governance organizations, and a desire to manage business risks, also have significant roles in shaping the CSR agenda of Eastern Produce Malawi. For example, as we quoted the managing director explaining, Eastern Produce Malawi initiated its community-oriented CSR even before international organizations introduced programs to advance this agenda. Some external pressures thus may have shifted the nature of Eastern Produce Malawi’s existing CSR agenda,
from predominantly philanthropic to more all-inclusive, integrating multiple social and environmental issues. The study findings are in line with previous research of CSR drivers in the supply chains of companies in developed countries that cites the interplay of internal drivers and external pressures (Carter and Jennings, 2002; Walker and Brammer, 2013). However, our study findings contrast with studies that suggest the dominance of external factors in driving the CSR agenda of developing country producers (Kolk, 2005; Mamic, 2005). Unlike previous studies, our integrated theoretical framework may offer a clearer view of the influence of internal organizational attributes and external environmental factors on the CSR agenda actually pursued by our case study organization.

Implications

The study findings have implications for managers of both upstream suppliers and downstream institutions in global supply chains. First, whereas most managers of upstream firms pay close attention to the market-based drivers of CSR, our evidence suggests they might be ignoring the expectations of normative stakeholders, such as communities and host country governments. Upstream managers need to evaluate the degree to which each stakeholder group can influence and be affected by their companies’ operations, then allocate resources to meet their expectations. For downstream managers, our finding that Eastern Produce Malawi’s CSR agenda is influenced by various institutions suggests that they should develop strong, interactive arrangements with other institutions to generate sufficient pressure on upstream suppliers to ensure that they embrace ethical production processes.

Second, top management commitment determines the wholesale, genuine adoption of CSR practices. Top management commitment appears to have grown even more important recently, as global supply chains continue to be plagued by ethical scandals, suggesting that codification and standardization systems alone cannot address all the ethical dilemmas upstream suppliers face (Ethical Corporation, 2013; United Nations Global Compact, 2013).
Rather, suppliers might simply “check off” their compliance with these standards and codes, without making substantial ethical commitments (Ciliberti et al., 2009). To achieve sustainable, positive change, managers of downstream firms should implement measures to recognize and reward sincere, top management commitment to social issues throughout the supply chain. As a starting point, downstream managers might identify transformational leaders of upstream suppliers, who are more likely to institutionalize CSR agendas in their respective companies (Du et al., 2013).

In terms of implications for policy, this study suggests that both internal organizational factors and external stakeholder pressures have shaped the CSR agenda of Eastern Produce Malawi. In addition to passing regulations, governments should reward companies that demonstrate commitment to societal well-being with incentives that are directly connected to firms’ long-term interests (Fox et al., 2002), such as competitive advantages over less responsible rivals. Similarly, international governance organizations should reward excellent social performance with recognition and publicity (e.g., United Nations Global Compact, 2009). Such steps can motivate companies to adopt effective social initiatives, especially as they realize the positive impacts of such publicity on their reputational capital.

**Limitations and Further Research**

Several limitations of this study could provide avenues for further research. First, it is based on a single case study of a tea-producing company in Malawi; it may be difficult to generalize our findings to upstream suppliers operating in other developing countries or different industries. Although our case-based research meets the fundamental goal of offering analytical generalizations, we suggest replications of this study, using multiple cases and involving both indigenous and multinational upstream suppliers of varying sizes, operating in different industries and countries. Replications in different countries also might reveal and
clarify some cross-cultural or political nuances that induce variations in firms’ responses to social and environmental issues. Second, our qualitative study demonstrates that Eastern Produce Malawi’s CSR agenda is influenced by a mix of factors but cannot specify the relative strengths of each driver. Further research could combine qualitative and quantitative methods (e.g., ratings, Likert scales) to provide a better indication of which drivers dominate. Third, our study suggests a pivotal role for organizational contingencies, such as leadership and organizational values, but further research should investigate the influence of leadership more systematically, across CSR development and implementation. Such research could compare multiple companies within the tea industry or firms across different industries.

References


Scholtens, B. (2013). Corporate social responsibility in the bank value chain. In A. Lindgreen, S. Sen, F. Maon, and J. Vanhamme (Eds.), *Sustainable Value Chain Management: A Research Anthology*. Farnham: Ashgate


United Nations Global Compact (2009). *Policies drive our fight against corruption: A case study from Malawi.* Available at


Figure 1: Drivers of CSR in supply chains
Table 1: Interviewed Respondents and Organizations

<table>
<thead>
<tr>
<th>Organization</th>
<th>Respondent’s Position</th>
<th>Reason for Inclusion</th>
<th>Number of Interviews and Length(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Produce Malawi</td>
<td>Managing Director</td>
<td>Key decision maker in corporate affairs</td>
<td>Two interviews: one for 2 hours and one for 40 minutes</td>
</tr>
<tr>
<td>Tea Association of Malawi Limited</td>
<td>Chief Executive</td>
<td>The association sets industry standards</td>
<td>One interview: 70 minutes</td>
</tr>
<tr>
<td>Government of Malawi</td>
<td>Former Deputy Minister of Trade and Industry</td>
<td>These actors formulate regulations for corporate practices and monitor corporate compliance.</td>
<td>Eight interviews; durations varied from 60 to 90 minutes</td>
</tr>
<tr>
<td></td>
<td>Principal Secretary of Ministry of Labour</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Deputy Labour Commissioner</td>
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<td></td>
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<tr>
<td></td>
<td>District Labour Officer</td>
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<td></td>
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<tr>
<td></td>
<td>Deputy Director, Environmental Affairs Department</td>
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<td></td>
<td>Legal Officer – Environmental Affairs</td>
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<tr>
<td></td>
<td>Principal Anti-Corruption Officer</td>
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<td></td>
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<tr>
<td></td>
<td>Chief Executive, Malawi Bureau of Standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>Sales Executive</td>
<td>They are affected by Eastern Produce Malawi’s purchasing policies, and their actions can create significant reputational risks for Eastern Produce Malawi.</td>
<td>Two interviews: one for 30 minutes and one for 35 minutes</td>
</tr>
<tr>
<td></td>
<td>Chief Executive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Associations</td>
<td>Executive Director – Society of Accountants in Malawi</td>
<td>They set ethical and business integrity standards for members, most of which influence Eastern Produce Malawi’s ethical policies.</td>
<td>Two interviews, each for 45 minutes</td>
</tr>
<tr>
<td></td>
<td>Program Officer, Institute of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tea buyers</td>
<td>Typhoo Technical Manager for Producer Relations</td>
<td>Purchasing practices influence Eastern Produce Malawi’s CSR agenda</td>
<td>One interview: 45 minutes</td>
</tr>
<tr>
<td>International</td>
<td>Ethical Tea</td>
<td>Develop standards and codes,</td>
<td>One interview: two</td>
</tr>
<tr>
<td>Organization</td>
<td>Respondent’s Position</td>
<td>Reason for Inclusion</td>
<td>Number of Interviews and Length(s)</td>
</tr>
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</tr>
<tr>
<td>Certification and Standards Organization</td>
<td>Partnership Program Manager for Africa and Latin America</td>
<td>and monitor producers’ compliance</td>
<td>hours</td>
</tr>
<tr>
<td>Smallholder Outgrowers’ Organization</td>
<td>Chairperson Committee member Three smallholder farmers</td>
<td>Smallholder tea producers are affected by the actions of Eastern Produce Malawi</td>
<td>Five interviews: one for 40 minutes, one for 60 minutes, and three for 30 minutes</td>
</tr>
<tr>
<td>Community (traditional) leaders and members</td>
<td>Two traditional leaders Nine community members</td>
<td>Provide social legitimacy to Eastern Produce Malawi</td>
<td>Two interviews: one for 60 minutes and one for 90 minutes</td>
</tr>
<tr>
<td>African Institute of Corporate Citizenship</td>
<td>Project Coordinator - Sustainable Agriculture Business Initiative Technical Advisor</td>
<td>Provides advisory services to Eastern Produce Malawi in the implementation of ethical practices</td>
<td>Two interviews: one for 60 and one for 75 minutes</td>
</tr>
<tr>
<td>International Labor Organization</td>
<td>Program Officer</td>
<td>Its conventions and capacity building programs influence corporate practices in Malawi</td>
<td>One interview: 1 hour</td>
</tr>
</tbody>
</table>
### Table 2: Analytical Dimensions

<table>
<thead>
<tr>
<th>A Priori Theme</th>
<th>Theoretical Perspective</th>
<th>Empirically Generated Subthemes</th>
</tr>
</thead>
</table>
| Organizational Factors      | Manager’s personal values influence moral development (Hemingway and MacLagan, 2004; Muller and Kolk, 2010; Walker and Brammer, 2013). Organizational values and interests and investors’ pressure determine how an organization responds to social issues (Sharma, 2000). | Top management
Parent company pressure
Shareholder activism                                                   |
| Risk Reduction and Management | CSR can help a firm minimize supply chain risks (Jenkins, 2001; Millington, 2008; Morali and Searcy, 2013; Scholtens, 2013; Seuring and Müller, 2008).                                                                   | Risk management                                                      |
| Reputation Legitimacy       | Firms use CSR to meet stakeholders’ expectations, attain legitimacy (Hall, 2002; Suchman, 1995), and build reputational capital (Fombrun, 1996).                                                                                        | Community expectations
Industry pressure
Regulatory and policy pressure
Pressure from international organizations
Demands from export markets                                             |
| Competitive Advantage       | Adoption of CSR agenda can enhance the firm’s prospects for accessing markets compared with non-socially oriented rivals (Hooker et al., 2013; Lindgreen et al., 2013; Smith, 2008).                                            |                                                                       |