Hegemony and corporate social responsibility in global value chains: A simple model

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Abstract (194 words)

This paper aims to develop a critical framework on corporate social responsibility (CSR) in global value chains (GVCs) by constructing a simple model. The framework based on the simple model focuses on the form and effects of CSR in GVCs rather than the reason for firms' decisions and their content. The model consists of three actors: lead firms, suppliers and consumers. Through Antonio Gramsci's concept of hegemony, we clarify that the relationships between these three actors are different from each other. First, the relationship between lead firms and consumers is a hegemonic relation that forms a compromised equilibrium on CSR. Second, the lead firm-suppliers relationship is a unilateral dominance relation without hegemony, in which suppliers are unable to extract compromises from the lead firm. Third, there is little direct interaction between suppliers and consumers. The differences in each relationship indicate that CSR per se does not mitigate the asymmetric structure between a lead firm and suppliers. Instead, it may require suppliers to be more subordinate to the lead firm. Finally, the simple model serves as a new framework that allows us to follow and synthesize the individual results of previous CSR in GVCs studies.

Keyword: corporate social responsibility, global value chain, hegemony, asymmetric structure

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Introduction

With the change from the MDGs adopted in 2000 to the SDGs in 2015, social inclusion has become more critical from promoting developing countries' development. Moreover, the spread of the SDGs has strengthened the incentives for companies to strengthen their corporate social responsibility (CSR) initiatives.[1] As a result, companies have become more and more interested in CSR, and many companies in the Global North[2] have adopted and implemented a variety of initiatives. In parallel, since around 2000, outsourcing has flourished, and the nature of international trade has changed dramatically from trade in goods to trade in tasks (Grossman and Rossi-Hansberg, 2008), resulting in a disconnect between value creation and geographic location (Levy, 2005). Therefore, in discussing CSR, it is essential to analyse the forms and effects of CSR under globalisation: how the global economic structure influences the formation of CSR and how CSR affects each of the relevant actors. However, most CSR research to date has focused on why companies choose CSR and the content and results of CSR, and the form and effects of CSR have not been sufficiently studied to date.

Regarding corporate decision-making in CSR, Campbell (2006) discusses the relationship between corporate decision-making and institutions from the perspective of institutional theory. He argues that companies are more likely to act in a socially responsible manner when confronted with more powerful political regulations and industry self-regulation. Porter and Kramer (2011), one of the most influential researchers in this field, provide an essential interpretation of CSR and corporate decision-making through the concept of Creating Shared Value (CSV). According to them, unlike CSR as philanthropy that is not directly related to corporate operations, companies can gain a competitive advantage by securing social value in areas directly related to their operations, thereby increasing corporate and social value. In other words, it is an overall rational choice for a company to consider social value as a strategy, and the paper explains why companies practice social action as CSV.

Many studies have been conducted on CSR content, covering different regions, countries, industries, and companies. For example, Chapple and Moon (2005) analysed the Web site reporting of CSR of 50 companies in seven Asian countries. They found differences in CSR content in each country. Doh and Guay (2006) and Matten and Moon (2008) conducted a comparative analysis of CSR in the United States and Europe using institutional theory. They found that while CSR is developing globally, differences in CSR in the two regions persist due to institutional and political legacy. Chen and Bouvain (2009) conducted a textual analysis of the CSR of significant corporations in four countries (the United States, the United Kingdom, Australia, and Germany). They found that the content of CSR is biased toward specific areas related to the natural environment and workers. Witt and Redding (2012) surveyed senior executives in five countries (the United States, Germany, Hong Kong, Japan, and South Korea) and found that they have different opinions on how companies should contribute to society. There are also several studies on how CSR activities, especially labour regulations, have evolved in the wake of the 2013 Rana Plaza collapse in Bangladesh (Reinecke and Donaghey, 2015; Sinkovics et al., 2016; Donaghey and Reinecke, 2018; Schuessler et al., 2019; Bair et al., 2020).

These studies make compelling arguments by focusing on the reason companies decide to engage in CSR and on the content of CSR, i.e., what social issues are emphasised in each company's CSR statement and what efforts are made to solve those issues. However, all of them focus on the company's inside and treat the global political and economic structure as exogenous. Therefore, many existing CSR studies lack a relational and dynamic perspective on how CSR forms interact with global economic structures and how the relationships among actors change through CSR activities.

In this paper, I introduce the global value chain (GVC) analytical perspective to describe the global economic structure, where GVC refers to a series of units from the design of a product to its production and final sale. GVCs help analyse the creation and distribution of value among the actors involved in the production process and the forms of governance (Milberg and Winkler, 2013; Ponte et al., 2019). In particular, it is essential to note that Levy (2008) introduced Italian thinker Antonio Gramsci's concept of hegemony into traditional GVC research. Through the concept of hegemony, it became possible to recognise society as an unstable and fluctuating equilibrium, view it from a more continuous and dynamic perspective. Hegemony also gets us reconsider the relationships among subjects in GVC as political contestations. In contrast to earlier static studies of GVCs, this study shows that the lead firm, a huge multinational corporation, has established a dominant position among the multi-stakeholders involved in GVCs, and that its dominance has been strengthened through its activities in GVCs. This dynamic process can now be discussed endogenously. Bair and Palpacuer (2015) inherited Levy's idea of introducing this hegemony concept into GVC analysis and tried to apply it to CSR analysis in GVC. Bair and Palpacuer (2015) found that, on the one hand, CSR in GVCs is used to maintain the dominance of the lead firm and, on the other hand, CSR is also repeatedly developed, evaluated, criticised, and modified through the hegemonic struggle over CSR. In other words, while CSR in GVCs is a tool for fixing and strengthening existing relations of domination, CSR itself is multifaceted in that it is subject to the constant demand for change due to the openness of the hegemonic space.

However, is CSR in GVCs is open to all actors? According to Ponte and Gibbon

(2005), GVC governance tends to be increasingly led by the buyer, the lead company, by standardising and codifying complex information. In addition, Nadvi (2008) argues that while the increased coding of information allows lead firms to standardise the chain and reduce coordination costs, many developing countries remain ‘standard takers’ in GVCs and cannot become ‘standard setters’. This asymmetry between the lead firms in the Global North and the Global South in the chain can be read as an analogy for production coordination and CSR. Naturally, these lead firm-led CSR decisions must be open to actors in the Global South. Otherwise, they are almost meaningless for improving working conditions and the natural environment in the South (Nadvi, 2008; Strambach and Surmeier, 2013). According to Fransen (2012) and Ponte and Cheyns (2013), CSR seldom reflects the voice of the South and incorporates the uniqueness of its political economy and culture. A field study in Pakistan by Khan and Lund-Thomsen (2011) shows that lead company-led CSR disrupts the practices of the Global South and even negatively affects them as economic and cultural imperialism. The above studies have been conducted individually.

The above studies have conducted detailed empirical analyses of individual value chains through a combination of field surveys and questionnaires. They can provide the following stylised facts about CSR in GVCs: CSR in GVCs is often too strongly influenced by the decisions of the Global North, with little representation of the voices of the Global South, which can lead to CSR having no natural effect, but rather worsening the situation in the South, and current CSR can often reinforce the North-South asymmetry that exists in governance within the chain (Lund-Thomsen and Lindgreen, 2014).

This study aims to follow up on the stylised facts uncovered through empirical research, model the global economic structure that only makes this possible, and examines how CSR’s dynamic influence in GVCs affects the relationships among actors. In addition, I will use Gramsci’s concept of hegemony to describe how the dynamic influence of CSR in GVCs affects the relationships among actors. This will enable us to interpret the many individual empirical studies that have been accumulated so far under a standard theory and provide a coherent logic, which will provide a benchmark for CSR in GVCs. To this end, section 2 defines the actors involved in CSR in GVCs as elements of the model and confirms their characteristics. Section 3 distinguishes and describes the relationships among the actors introduced as elements and interprets each of them based on hegemony. In section 4, I summarise these relationships as a model and illustrate the structure of CSR in GVCs. The problems faced by CSR in GVCs are also rearranged based on the model. Finally, section 5 is a conclusion and presents some future issues.

2. Actors involved in CSR in GVCs

In this section, I simplify the global economic structure as much as possible and describe the three actors involved in the decision-making and implementation of CSR in GVCs. This will be the fundamental element for the abstraction and interpretation of the relationships among the actors involved in CSR in the following section 3.

In this study, the increasingly fragmented international division of labour will be viewed as a unit called GVC. The GVC consists of the following two actors in a simplified form. The first actor is the lead company, which sells its own-brand products in the consumer market in developed countries, and the second actor is the supplier, which undertakes outsourcing from the lead company. In addition, consumers evaluate and purchase each product in the market, which is the endpoint of GVC.

2.1. Lead firms

As the name implies, the lead company is a leading actor that assumes the governance of the entire GVC and significantly influences all its activities, from the coordination of production to distribution within the chain. As the GVC expands and deepens, the lead company will concentrate its tasks in the production process on areas with high value-added and core competence, such as design, marketing, and finance. On the other hand, there is a tendency to increasingly outsource tasks with high substitutability to foreign labour (especially lower wage labour in developing countries) and low value-added rates, such as manufacturing and assembly. This means that lead firms channel profits from their economic activities into raising barriers to entry for tasks related to their core competence and promoting their branding, rather than into capital investment to expand production. As a result, lead firms can exert decisive influence within the chain through intellectual monopoly (Durand and Milberg, 2020).

Lead firms maintain a strong leading position in the chain by controlling tasks related to their core competence with a high value-added ratio while they are exposed to market competition with other lead firms in the consumer market. Therefore, to increase their market share, they need to differentiate themselves from similar products of other companies within the constraints of market prices. Under these competitive constraints, lead firms will use GVC linkages to pursue more significant profit margins.

It is empirically known that in the Global North, the profit share continues to rise (and the labour share declines) in parallel with the expansion of GVCs (Milberg and Winkler, 2013; Karabarbounis and Neiman, 2014), and Autor et al. (2020b), this trend has been strongly influenced by the emergence of superstar firms. However, the enormous profits of the lead firms (superstar firms) that lead to an increase in the macro profit share do not come from monopolising the market to raise the price of goods. Instead, they do so by keeping purchase prices from suppliers low and suppressing domestic wage increases by taking advantage of the *threat effects*[5] of increased substitutability with foreign labour. In other words, the source of profits for lead firms is cost control using a structure that is characteristic of GVCs (Rodrik, 1999; Pariboni and Tridico, 2019; Tamura and Tokumaru, 2020).

CSR, the subject of this paper, serves as a competitive strategy to differentiate products sold in the market after the above cost control and ensure the corporate brand's legitimacy in the market (Farache and Perks, 2010; Porter and Kramer, 2011). Especially, CSR is used as a tool to restore and legitimise the social and ethical nature of a company that has been damaged by an accidental incident (Vourvashis et al., 2016). Particularly when considering CSR in GVCs, the scope extends beyond the core lead firm to suppliers distributed across different countries and regions in the chain. For example, the Rana Plaza collapse in Bangladesh in 2013 prompted apparel brands in developed countries to set a goal of improving the health and safety of Bangladeshi workers by making efforts to improve treatment and environment in the chain as their CSR (Schuessler et al., 2019).

The lead company is responsible for finalising CSR in the context of this entire chain. At this point, the choice of what CSR content to focus on reflects the uniqueness of each lead company—its consumer base, its sponsors, and its corporate identity and philosophy—and is diverse and (Reanecke et al. 2012). In addition, the lead firm is the final decision-maker on CSR in GVCs, the one who requires suppliers in developing countries to implement the content of CSR, the one who monitors compliance with the content of CSR, and the one who makes recommendations and provides guidance to suppliers in case of non-compliance with CSR. It is also the entity that monitors compliance with CSR, makes recommendations to suppliers when they fail to comply with CSR, and is the entity that can remove suppliers from the chain who do not comply with CSR and do not listen to recommendations for improvement. In short, by engaging in these CSR-related processes, the lead company is managing the entire GVC chain, using CSR activities as an indicator.

2.2. Suppliers

Since the 1990s, with the rapid progress of IT technology, the GVCs have become more and more complex. Lead firms have been able to find and outsource suppliers not only within their own countries but also foreign countries, especially in developing countries where wages are low, and the supply chain has become increasingly global. Before that, a complete production process between a lead company and its suppliers was established within a single country, but now, as suppliers can replace only the supplier's tasks in other regions, the supplier is exposed to fierce competition from other suppliers. While competition among these suppliers has become fierce, lead firms are in a position to choose from a large number of competitive suppliers, relatively few to none (Milberg and Winkler, 2013). The more developing countries participate in the international trade regime, the more lead firms can strengthen their oligopolistic position vis-à-vis suppliers, and the asymmetry between lead firms and suppliers in the chain expands.

This asymmetry between lead firms and suppliers also has similar effects on the way suppliers engage in CSR. Suppliers are unilaterally required to engage in economic activities that conform to the CSR content determined by the lead company. The supplier does not dispute the content of this CSR. Competitive and numerous suppliers are relatively easy for the lead company to replace, and replacing a supplier with one that is more suitable for the CSR content already decided upon is less than the cost of discussing and revisiting the CSR content with some of the suppliers. Therefore, suppliers are unlikely to protest against the CSR requirements of the lead company but instead will pay the cost and try to meet the requirements themselves.

As mentioned earlier, Khan and Lund-Thomsen (2011) refer to this asymmetric CSR situation as *CSR as imperialism* and show that CSR imposes a heavy burden on suppliers in developing countries based on their field research in Pakistan. Lund-Thomsen (2020) emphasises the importance of analysing CSR in GVCs from a supplier-centred perspective, focusing on the impact on suppliers rather than as a competitive strategy of the lead firm. Levy (2008) and Bair and Palpacuer (2015), who opened the door to a critical examination of CSR in the GVC frame, also focus on the same asymmetry and describe GVC as a site of political contestation, by focusing on similar asymmetries and describing GVC as a site of political contestation, reached a different interpretation of CSR than previous studies. These studies implicitly or explicitly show that the asymmetrical structure of lead firms and suppliers in GVCs has a decisive impact on the distribution of returns and costs of engaging in CSR and that this asymmetrical structure is maintained or reinforced through CSR. The critical perspective on CSR implied by these studies has necessary implications for our interpretation of CSR.

2.3. Consumers

Consumers evaluate and make purchase decisions in the consumer market for each product bearing the brand of various lead firms. They do not evaluate products only in terms of the quality of the product itself and do not consume it (Baudrillard, 1970). When choosing among products of the same quality, what is important is how the product is differentiated from other products, and one measure of this is the CSR that each lead company tackles with its originality. Lead firms need to differentiate their products using CSR because consumers tend to realise their ethics through consumption. Such consumption is generally defined as ethical consumption. Ethical consumption can be defined as (1) consumption by a particular type of consumer who positions his or her utility as based on ethical preferences (Vitell et al., 2001), (2) political consumption in which the consumer tries to realise his or her political claims through consumption (Clark et al., 2001), (3) The position of realising the consumption required by one's social status (Niinimäki, 2010). Various analyses have been made depending on the type of consumption assumed. Regardless of which type of consumption is assumed (1) to (3), what is essential in thinking about ethical consumption is how it works in society. In this sense, ethical consumption is closely connected to social movements. Ethical consumption has the aspect of active consumption, in which people purchase products that are consistent with their value standards, as opposed to passive consumption, such as the boycott movement (Harrison et al., 2005). This aspect of ethical consumption means that even when consumers do not overtly boycott a product, they continue to demand CSR from lead firms, in ways that cannot be directly observed.

Therefore, lead firms must respond to social pressure from consumers (as well as NGOs and the mass media, which are deeply concerned about social issues such as labour conditions in developing countries) and expand their product lineups to the changing preferences of consumers. At such a time, what kind of CSR will be agreed upon as the landing point for consumer ethics? According to this landing point, consumers can be divided into three classes: core, non-core, and indifferent (Harrison et al., 2005). Taking fair trade as an example, the core group consists of enthusiastic consumers who purchase products in non-mainstream stores such as third world stores. The non-core group consists of consumers who select fair trade products when they are available in supermarkets. Finally, the indifferent group consists of consumers who are not interested in the ethics of fair trade products.

It is becoming more and more critical for the lead company in charge of sales to know which category their customers fall into and what kind of CSR is helpful to differentiate their products from the homogeneous products of other companies through marketing tasks. Therefore, as a matter of corporate strategy, there has been a great deal of debate about whether or not some label should be given to CSR appeals and what the optimal form of governance is in line with this policy (Scherer and Palazzo, 2011). In the ethical consumption arena, CSR is thus shaped by the interconnectedness of the characteristics of each industry to which it belongs and the identity of the lead company, in addition to the varying degrees of interest in ethics among consumers.

3. Relationship between actors and hegemony

This section will describe the three actors mentioned above as elements, distinguishing between their relationships: lead firms and consumers, lead firms and suppliers, and consumers and suppliers. By abstracting the relationships among the actors involved in CSR in GVCs, we can more clearly understand the differences and identities of each relationship in terms of how they are involved in CSR. Here, we follow Levy (2008) and Bair and Palpacuer (2015) and introduce Antonio Gramsci's concept of hegemony to interpret each relationship.

3.1. Lead firms and consumers

Since the lead firm and the consumer meet in a somewhat competitive consumer market, the desires of both actors are adjusted to a compromise, the second-best outcome for both. The adjustment is not limited to the price; the content of the CSR and the ethics inherent in the product is also subject to adjustment, as they act as signifiers that differentiate the product in the market. For example, according to Reanecke et al. (2012), despite the diversity of CSR initiatives, there is an inevitable convergence in CSR goals, as consumers have developed a common vocabulary and platform to evaluate them. This shows that the content of CSR is not unilaterally determined by the lead firm but is formed in an interactive process of how it is understood and accepted by consumers. Such CSR is truly a hegemonic product in Gramsci's sense, and the relationship between lead companies and consumers is hegemonic.

> Undoubtedly the fact of hegemony presupposes that account be taken of the interests and the tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed—in other words, that the leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that such sacrifices and such a compromise cannot touch the essential… (Gramsci, 1999; p.373)

It is important to note that the relationship between lead firms and consumers is hegemonic in the Gramscian sense and that the CSR formed therein is a hegemonic product. CSR, a product of hegemonic compromise equilibrium, is an unstable equilibrium that is constantly being changed in the relationship between the two actors even after it has been decided. Therefore, when consumers become increasingly concerned about the working environment in developing countries—for example, through news reports about the Rana Plaza collapse in Bangladesh—lead firms may spontaneously decide to make CSR a part of their business. Reshape their CSR to adapt it to ethical consumer concerns (Schuessler et al., 2019). According to Bair et al. (2020), in Post-Rana Plaza's Bangladesh, while improvements are being made on safety and health as CSR for lead firms, Bangladesh government and industry are concerned about unions being organised by empowering workers. The content of CSR in GVCs is limited to concessions sufficient to attract ethical consumers, both core and non-core, to lead firms. It is determined almost independently of supplier behaviour.

A critical feature of Gramsci's concept of hegemony is that even an enormously influential entity cannot unilaterally impose its demands on the other, but rather the equilibrium that is formed is a compromise for both entities, implying dominance based on consensus between them. Thus, in contrast to world-system analysis and hegemonic stability theory, which view hegemony as power with a material basis, Gramsci focuses on the relationship between each actor and the process by which each actor internalises power under a compromise agreement.

This difference in the concept of hegemony is crucial to the analysis of this paper. This difference in the concept of hegemony is crucial to the analysis of this paper because even when there is an overwhelming disparity in material basis between two subjects. There is a relationship in which one exercises power over the other, if there is no control based on a compromise agreement, then hegemonic relations are considered not to exist. There is only a dominant relationship (Laclau and Mouffe, 2001). The relationship between the lead firm and its suppliers, which we will discuss next, is precisely this dominant relationship without hegemony and is distinguished from the relationship between the lead firm and its consumers.

3.2. Lead firms and suppliers

Before interpreting the relationship between lead firms and suppliers based on Gramsci's concept of hegemony, I will review the work of Amengual et al. (2020). Their empirical study based on a questionnaire survey provides more specific information about the relationship between a lead firm and suppliers within a GVC. They surveyed the labour compliance and purchasing of a North American sporting goods brand (pseudonym: Active) [6] to find out how the behaviour of the lead company regarding CSR affects the suppliers. What is particularly remarkable is how the lead company, Active, reacted when its suppliers violated CSR-based labour regulations. The reactions of the lead company can be divided into three categories in order of decreasing force: persuasion and problem-solving, changing in order volumes according to results, and exclusion from the supply chain by factory terminations. The first thing they showed was that while Active was diligently advising and guiding suppliers on their violations, they were not adjusting order volumes either as a penalty for the violations or as a reward for following the recommendations. In other words, for Active, the evaluation of suppliers' compliance with CSR and the determination of the number of orders placed with suppliers and the adjustment of production throughout the chain are independent and not linked. However, for suppliers, ignoring CSR and continuing to violate it does not affect the number of orders in the short term but increases the risk of being sued for the most substantial measure of exclusion from the supply chain. According to Amengual et al. (2020), lead firms can eliminate suppliers that do not follow their recommendations and advice and replace them with other suppliers, if they are willing to pay certain matching costs. So, there is a gap between the lead firm and suppliers in terms of available strategies.

What are the factors that allow the lead firm to substitute suppliers unilaterally? What structures allow the lead firm to have a production process that meets the CSR content without significant changes or adjustments in the GVC? The most reasonable framework for this question is the asymmetric structure between lead firms and suppliers raised by Milberg and Winkler (2013). Globally dispersed suppliers tend to take on tasks with high absolute numbers and high substitutability, resulting in intense competition among suppliers. However, the lead firm has a small number of suppliers and can use its oligopoly position to select suppliers. This asymmetrical structure allows the lead company to substitute suppliers and impose CSR costs on suppliers while maintaining its established GVCs.

If the chain consists of such an asymmetrical structure, there will be no compromise between the lead company and its suppliers. Moreover, since the lead company can replace a supplier at a fraction of the cost, it can solve the problem by eliminating the supplier when the supplier complains and resists its plan. In which the lead company can unilaterally govern its suppliers, this structure is quite different from Gramsci's hegemonic relationship. Inherent in this relationship is mere domination and subordination.

The relationship between lead firms and consumers is hegemonic, but between the lead firm and suppliers is not. This difference means that the consumer can extract specific concessions from a lead firm, but suppliers are powerless, having completely lost its hostility to the lead firm.

3.3. Consumers and Suppliers

Finally, we must mention the remaining relationship between consumers and suppliers. However, unlike the relationship between a lead firm and suppliers, who form a hierarchical relationship within GVCs, and the relationship between lead firms and consumers, who meet on the platform of the market, no specific platform is formed between consumers and suppliers, and there is little direct interaction between them. However, this absence of direct interaction between the two entities paradoxically allows lead firms to form and maintain a strong position in the global economy.

In the past, when consumers have been able to gain significant concessions in their hegemonic relationship with lead companies, it has only been through extensive media coverage by NGOs or human rights organisations, and only at moments when consumers' awareness of their suppliers (and the conditions of their workers and the natural environment) has been accidentally raised. For example, sensational issues such as the Rana Plaza collapse in Bangladesh in 2013, reports on human rights issues related to the Uyghur people in China, and the military coup in Myanmar in 2021 have forced lead companies to take some action. In reality, however, several similar accidents had occurred in Bangladesh before the Rana Plaza collapse. Those accidents did not lead to CSR enhancement (Bair et al., 2020). In addition to Uyghur and Myanmar, human rights issues and military dictatorships are chronic in many places, and many lead companies have exploited these situations without improving. In other words, the lack of interaction between consumers and suppliers makes the concessions made by lead companies in the formation of CSR accidental and limited. This coincidence and specificity give the lead company an advantage in the hegemonic relationship between the lead company and the consumer. As a result, the lead firm can unilaterally impose a strict control relationship on its suppliers through CSR, thus reinforcing the asymmetric structure within GVCs.

This brings us to the three actors involved in CSR in GVCs and the relationships among them. After summarising the above, I will conclude this study by discussing the problems facing CSR in GVCs and suggesting a policy for its reform.

4 Discussions

In our model, there are three actors: the lead firm, the supplier, and the consumer. The relationship between the lead firm and the supplier within GVC is a dominant relationship without hegemony. The lead firm and consumers meet in the market and have a hegemonic relationship, and the content of CSR is a hegemonic product. Furthermore, there is no common platform for consumers and suppliers, so there is no interaction. Figure 1 depicts the arrangement and relationship of each actor. As can be seen here, it is only the consumer's behaviour in the marketplace that allows the lead company to request that the supplier's workers and the local natural environment be considered in GVCs. Nevertheless, even these consumers, have yet to gain concessions on an essentially important part of the lead firm's role: securing asymmetric power within the GVC. This is because the hegemonic relationship between lead firms and consumers is essentially lead-initiated, and CSR content is also lead-driven, except in cases where consumers incidentally become more interested in suppliers.

Figure 1: Constellation of the actors involved in CSR in GVC
Source: Own illustration

Under the structure depicted in Figure 1, even if CSR content is enriched, it is not possible to improve suppliers' relative position or avoid pressure from lead firms. Instead, in an asymmetric structure, the supplier's involvement in CSR can be used by the lead firm as a tool to consolidate its power in the chain.

Thus, this picture validates Nadvis (2008)'s point that the Global South does not play an essential role in determining the content of CSR, and Khan and Lund-Thomsen (2011) point that current CSR does not have content appropriate to the realities of the Global South. What is needed, then, to raise suppliers' status, reflect their voices in CSR, and make CSR universally socially ethical? Our model teaches that it is essential to create a platform and interaction between suppliers and consumers not to isolate suppliers in a subordinate relationship and match the concessions that consumers demand from the lead company in the hegemonic space with those demanded by suppliers. It will be necessary for consumers to match the concessions they demand from the lead company in the hegemonic space with what the supplier demands. Such a strategy could help alleviate the asymmetries with suppliers that lead firms have been eager to reinforce.

Conclusion

In this study, we have analysed forms and effects of CSR in GVCs. We developed a simple model with three actors: lead firms, suppliers, and consumers, and interpreted their relationships using hegemony to show that the relationships between the actors are different. The relationship between the lead company and the consumer is a hegemonic relationship forming a compromised CSR equilibrium. In contrast, the relationship between the lead company and suppliers can be described as a dominant relationship without hegemony, which is impossible if the supplier extracts concessions. There is also a lack of a consumer-supplier relationship, which allows the lead firm to reinforce the asymmetric structure with its suppliers. Therefore, CSR in GVCs cannot improve the status of suppliers and bring them to negotiate on an equal level with lead firms. Instead, it calls for a more substantial subordination of suppliers.

The simple model presented in this study can serve as a new framework that allows us to synthesise and interpret the individual results of conventional CSR and GVC studies coherently. There are several research possibilities based on this model in the future. One is to examine suppliers in developed countries and suppliers in developing countries by dividing them geographically. In recent years, there has been a growing concern in developed countries about the outflow of jobs due to outsourcing tasks associated with the development of GVCs, which has been one of the factors causing the rise of exclusionist populist politics (Autor et al., 2020a). Hence, it is essential to consider the impact of the expansion of GVCs and CSR on suppliers in developed countries. Also, for simplicity, the current model does not include the presence of intermediaries involved in knowledge and distribution in the chain, as pointed out by Strambach and Surmeier (2018) and Serdijn et al. (2020) By including these intermediaries in the model, it will be possible to conduct a more realistic and complex analysis of the situation of suppliers and workers in the Global South, who are structurally repressed.

Notes

[1] In this study, CSR is not limited to the philosophies of corporations. The labour and environmental regulations and standards voluntarily implemented by multinational corporations are also regarded as reflecting corporate philosophy behind them. In the following, CSR will be treated in a broad sense that encompasses regulations and standards by corporations.

[2] Here, the Global North and Global South are not defined by geographical categories but rather by relationships in the newly formed social hierarchy under globalization. The Global North refers to those areas and people who occupy dominant positions at the top of the hierarchy, where wealth is concentrated. On the other hand, the Global South refers to the areas and people who are negatively affected by globalization.

[3] Depending on the researcher's research perspective, GVC is sometimes given various other names, such as global supply chain, global commodity chain, and global production network. However, since the subject matter itself is the same in all cases, GVC will be used as a unified term in this study.

[4] This is critically different from the governance typology of GVC raised by Gereffi et al. (2005), one of the most influential GVC studies, which is classified by exogenous conditions.

[5] See Burke and Epstein (2001) and Choi (2001).

[6] It is a company that is generally recognized for its commitment to CSR, has about 70 factories in its supply chain, and has annual sales of $350 million. However, it is not as large as companies like Nike, which have been the subject of individual studies, and is of average size for a leading company in its industry.

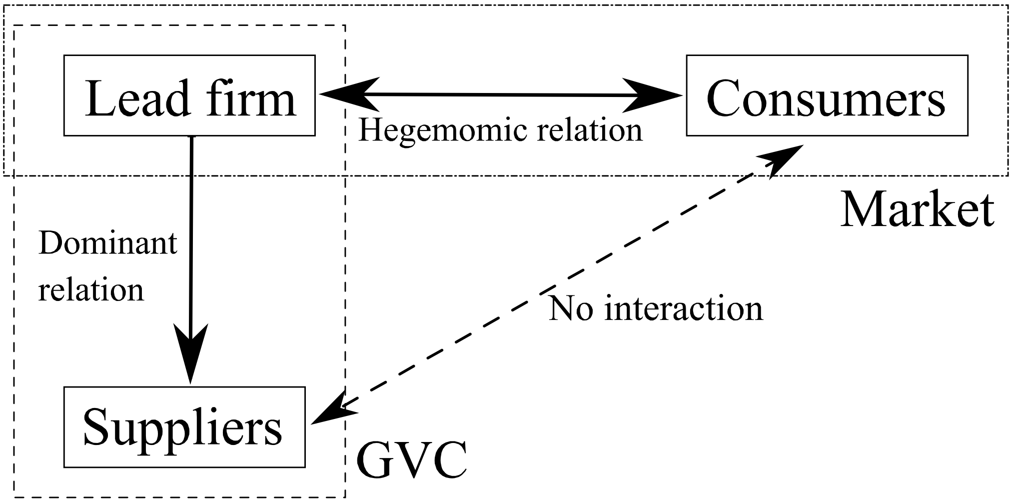

Figure 1. Constellation of the actors involved in CSR in GVC
Source: Own illustration

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