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**Integrated Network Responsibility in the Gambling Industry:
Camelot and the UK National Lottery**

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Abstract

This paper introduces the concept of Integrated Network Responsibility which extends existing theory (stakeholder theory, supply chain responsibility and network theory) in order better to understand the context of a highly regulated controversial industry. Using the empirical example of the UK National Lottery and the lottery provider, Camelot, Integrated Network Responsibility explains the dynamics of social responsibility in this context. Because – among other things - of the ethical issues relating to gambling, the vulnerability of consumers and the addictive nature of the product, the legislation and regulation prescribes social responsibility requirements in the sector, giving the lottery provider agency if awarded the ten-year contract. While suppliers and retailers are important partners in this process, it is the wider network which has responsibility for upholding the high standards set. Key issues identified in this context relate to the management of relative power in the network, extended responsibility and the nature of network relationships. It is proposed that Integrated Network Responsibility may have wider applicability to controversial and other sectors, and further research on the concept is recommended.

Introduction

*The essence of gambling consists in an abandonment of reason,
an inhibition of the factors of human control. (Hobson, 1905: p. 138)*

The gambling industry is morally controversial in popular, religious, and scholarly terms as well as being one of the standard screened sectors of the ethical investment industry alongside tobacco, alcohol and the military (Schwartz, 2003, p. 195). Gambling has been defined variously as “buying a chance to make money; taking a calculated risk because of some potential reward; or engaging in an action or series of actions that hopefully result in a favourable outcome” (Moore, 1997a: p. 171), encapsulated by the notion of “the determination of the ownership of property by appeal to chance” (Hobson, 1905: p. 135).

In this article, we focus on the particular instance of pure gambling, i.e. gambling based on pure chance with no skill involved, in the example of the lottery industry. We do this by analysing corporate social responsibility (CSR) in a UK lottery organization. As a result of the development of national and international lottery programmes in Europe, large scale lotteries have arguably been the gateway to gambling for the general public. This has seen a successful dissemination of lottery playing in the UK, with 70% of adults playing the lottery on a regular basis (National Lottery Commission, 2011) making it the most popular form of gambling in the UK (Jones et al, 2009: p. 192), with appeal to both men and – unusually – women (Casey, 2006).

Despite a popular resurgence at the end of the last century, lotteries are not a new phenomenon in Europe. Early recorded instances include a public lottery in the UK in 1569 with prizes in the form of plates, tapestries and money, and *the lotto* originates from political elections on which people started betting in Genoa in 1620 (Moore, 1997: p.169-170). Since then, lotteries have gone in and out of favour in Europe, according to public

understandings of morality (Miers, 1996). In the post-War period, gambling has emerged as a legitimate, quite tightly regulated industry. The Gambling Act 2005 represents somewhat of a relaxation of the regulation around the industry in the UK, but specifies corporate social responsibility initiatives as a licence condition for gambling operators (Jones et al, 2009), “an interventionist approach to social regulation” (Miers, 1996: p. 490). Hence CSR has become a critically important element of the gambling industry if companies wish to maintain their licence to operate.

We present an analysis of CSR in the controversial sector of gambling. A distinguishing feature of the paper is the supply chain and network orientation. The supply chain, in this case (and many others) is locked together in its response to social responsibility issues, with the lottery provider’s actions and responsibilities enhanced because of their agency role in ensuring that regulations are enacted throughout the chain. This approach is not one which is a version of the standard stakeholder theory approach where Government may be listed as ‘just’ another stakeholder (Freeman, 1984). While a more sophisticated network stakeholder perspective is relevant – and indeed is drawn upon in our theoretical development, the standard ‘hub and spokes’ model is unhelpful here since all elements of the supply chain are required to uphold the government position – by the legal requirements as well as by the agency actions of Camelot.

The paper continues below with a literature review on CSR in supply chains and in the gambling sector proposing a new conceptual framework for understanding CSR in controversial sectors called Integrated Network Responsibility (INR). The theoretical

contribution to the paper is to extend Spence and Bourlakis' (2009) work on the evolutionary role of CSR in supply chains by using Camelot as an illustrative case of a controversial sector where key stakeholders, i.e. Government, are outside of the supply chain. In this article we are therefore suggesting an approach to CSR in controversial sectors which is distinctive from less contentious industries where Government influence is less pronounced.

Literature Review

Two literatures are relevant for the development of this paper. The first reviews corporate social responsibility and the ethics of gambling. The second area relates to the web of stakeholders involved in the lottery sector, and the associated network of social responsibilities. We explore this by developing previous work on the evolutionary role of CSR in supply chains to capture the concept of Integrated Network Responsibility.

The ethics of gambling and CSR in the lottery sector

The reason for the focus on the gambling industry as a controversial one is at heart the ethics of gambling itself. Lottery gambling is of particular interest because it is imbued with a suggestion that it is for fun, and not considered by the public as gambling proper, which may indicate why people enjoy the experience of playing the lottery and fail to exercise rationality in so doing (Ariyabuddhiphongs, 2011). This perception of the lottery as harmless entertainment is in contrast to its nature as an example of pure gambling. This is of special interest in terms of ethics and CSR because the player has no opportunity to influence the outcome by skill, and hence is at the liberty of the integrity

of the lottery company to ensure a fair process. Indeed, Hobson (1905: p. 138) argues that pure gambling of this kind consists of “an abandonment of reason”. This is a claim with some justification given that the chances of winning the jackpot have been calculated to be in the region of 1 in 14 million (Moore, 1997a: p. 172). The lottery as a subsector of the gambling industry is also of interest because it has seen pioneering innovation in terms of domesticating gambling by bringing it out of private back rooms and into the relatively accessible and innocuous public space of shops and high streets (Casey, 2006). Ethical issues identified relate in particular to the lottery’s addictiveness, its attractiveness and accessibility for minors, and its disproportionate attractiveness to poorer people. Other issues pertain to the distribution of the funds raised, but these are beyond the focus of the current paper (for further discussion, see Moore, 1997b). Overall, the ethical issue at the heart of lottery playing is the care which must be taken when dealing with potentially vulnerable consumers (BiTC, 2006). The importance of the fairness of the running of a lottery, quite aside from the ethics of gambling itself, has long been acknowledged. In the early 20th Century, Hobson (1905: p. 136) noted that:

“Where the skilful draftmanship (sic) of a lottery-prospectus allures the dull or sanguine reader into staking his money, by deceiving him as to the size of his chance of winning, such trickery, though designed to appeal to the gambling instinct of investors, is not itself an act or a part of gambling: it is simply fraud, though not necessarily fraud in a legal sense”.

Jones et al (2009) take a broad brush approach to identifying CSR issues in the gambling industry as relating to the marketplace; the workplace; the environment; and the

community. Their findings are rather generic, and accordingly there is a need for a focused approach which illuminates more closely the CSR issues concerned. Thus in this paper we focus on just one of these aspects, that of the marketplace, referring here especially to suppliers and customers of Camelot and developing the supply chain perspective.

CSR in supply chains

Recent burgeoning interest in CSR in supply chains has resulted in a flurry of publications which summarise the extant literature related to this field (Amaeshi et al, 2008; Spence and Bourlakis 2009; Jiang 2009; Lee and Kim 2009; Park-Poaps and Rees 2010; Pedersen 2009; Strand 2009). It is not our intention to rehearse these literature reviews here, but particularly valuable insights are available from a systematic review by Brammer et al (2011)¹ which can be summarised as shown in Table One.

Table One: Summary of the extant CSR and Supply Chain literature

Most prevalent pressures	Motivations for engagement	Inter- and extra-organizational facilitators
consumer pressure/concerns	customer retention/satisfaction	honesty/respect/trust in supplier engagement
government legislation/regulation	risk management	Industry collaboration/partnerships
societal/public concern	<i>compliance with regulation/legislation</i>	capacity to influence/power over suppliers
NGO/pressure groups	managing firm/organizational reputation	collaboration/working with suppliers
media	customer attraction	working with NGOs/stakeholders
peer/industry pressure	competitive advantage	presence/use of/working with third-party
investors	cost reduction	certification
liability risks	moral obligation	knowledge/experience sharing with suppliers
employee concerns	protecting brand	training/investment in suppliers
cost pressures	responding to social pressure	<i>supportive legislation/regulation</i>
	market access (esp. overseas markets)	long term contracting/relations with suppliers
	Improved productivity/efficiency	communication/dialogue with suppliers
		incentives in supply relationships
		shared vision with suppliers

Source: Developed from Brammer et al (2011). Reasons given are in order of

significance in the reviewed literature. Legislative/ government factors particularly relevant to the UK lottery sector have been shown in ***bold italics***.

In Brammer et al's summary, government and legislative influences are in no cases shown to be the most significant. We argue that in the highly regulated controversial

industries example, this is not representative. This is because regulators are in a position to rescind the right to operate and might indeed use that power. This drives the nature of CSR, re-configuring hard-law regulations into soft-law codes with which suppliers should comply (Sobczak 2006: 228). Brammar et al (2011) note examples of regulated CSR contexts for supply chains motivating positive behaviour in relation to the environmental protection laws in terms of operations and production (Wexing, 2008) and waste reduction and recycling legislation in logistics (Lau and Wang, 2009). It is notable however, that government legislation/regulation ranks highly as a driving pressure for CSR in supply chains in Table One. Notwithstanding this, legislation is not a key facilitator for CSR (see third column). This gap – between regulation as an external pressure and as a facilitator for CSR - supports the need for a closer understanding of how CSR is enacted in highly regulated contexts.

Some research studies have focused on the CSR supply chain perspective in order to seek to develop the notion of CSR across the chain rather than looking at single or vertical dyadic perspectives on CSR. Müller et al (2009) and van Tulder et al (2008) each argue for full supply chain perspectives, focusing particularly in each case on standards or codes as the mechanism for transferring standards throughout the chain. Spence and Bourlakis (2009) take a different perspective, and it is this which will be built upon here because of the distinctive ‘whole chain’ / network approach which they advocate.

Taking a case illustration of a supermarket in the UK, Spence and Bourlakis (2009) describe a move away from isolated individual organizations acting out their CSR

unilaterally. They describe an evolution of this being the Corporate Social Watchdog (CSW), where a single organization becomes responsible for implementing a guiding standard of social responsibility throughout the chain. Such Corporate Social Watchdogs are those powerful organizations which add social standards to the factors which they seek to manage in others in their chain. In some cases they may set the standards, audit suppliers, decide on penalties for non-compliance, and ultimately delist non-conforming organizations. Thus they in effect take on the role of moral arbiter over others in the chain. Spence and Bourlakis also introduce the Supply Chain Responsibility concept that indicates the full transfer of responsibility for standards across the chain. Its features include a commitment by all chain members and a genuine partnership approach where all chain members have an open two-way flow of communication and information sharing, aiming to allow the joint planning of goals, objectives and supply chain activities between these members.

We propose that the CSR and CSW stages of the Spence and Bourlakis framework are also relevant for Camelot. They develop this further arguing for full Supply Chain Responsibility (SCR). While this is a distinctive step forward, and continues to have relevance for organizations which genuinely seek to act as partners and work on common challenges in unison with business partners, there remain critical unexplained elements if the simplified supply chain is the focus. Not least the exclusion of influential stakeholders outside the chain. This is the departure point for us to consider a wider, network orientation which is developed in the subsequent section.

Camelot, for example, operates in a CSR environment that goes beyond the Supply Chain Responsibility perspective. It is also guided by other stakeholders outside the chain, including public interest groups, the media and local communities. Most fundamentally of all is the influence of government and regulation via the National Lottery Commission. For this reason none of the unilateral CSR, the CSW nor the SCR perspective adequately explains the nature and processes influencing social responsibility initiatives and responsibilities for the lottery provider.

The decision to introduce the National Lottery in the UK was a departure from traditional policy in the area of commercial gambling, where successive governments were only involved in gambling in terms of its arms-length regulation (Miers, 1996: p. 490). Under the National Lottery system set up by an Act of Parliament in 1993, the National Lottery Commission was established which is closely involved with setting detailed parameters for the operation of the lottery. The Commission is charged with ensuring that players are treated fairly; the nation's interest in the Lottery is protected; and the operator is motivated to maximize the enjoyment and benefits that the Lottery brings to the Nation. In addition, statutory duties to: ensure that the National Lottery, and every lottery that forms a part of it, is run with all due propriety; ensure that the interests of every participant in the Lottery are protected; and subject to these two duties, to maximize the proceeds of the National Lottery (National Lottery Commission, 2011). To be specific, regulatory requirements are set out for the National Lottery provider under the following rubrics (National Lottery Commission, 2003), and further details are given in relation to Camelot in Table Two. Regulatory requirements cover the Control Environment; Lottery

IT Systems; Game operation; Prize validation and payment; Consumer Protection;
Retailing; Marketing; Revenue Collection and Banking; Security and Ancillary
Activities.

Table Two: Camelot’s Stakeholders and Regulatory influence thereon

Stakeholder Group	Mission Statement	CSR commitments	Example Corresponding to NLC Regulatory imperatives
(1) Our people – 761 full-time equivalent employees working in UK	We need skilled people at every level. Our goal is to create a high performance culture where employees feel valued, creative and highly motivated.	Organisational change including share sale and transformation Health, wellbeing and morale	All persons involved in key aspects of the National Lottery’s operations must be “fit and proper” There must be appropriate levels of authority with accountability which has regard to levels of risk Performance indicators must be set which ensure the monitoring of key operations and identify developments that require corrective action
(2) Players – The 70% of UK adults who regularly play National Lottery games	We strive to offer innovative and entertaining games while protecting consumers and maintaining player trust in integrity of the National Lottery	Integrity of National Lottery operations Clear game rules and odds of winning Reliability of services in store and customer service support Aftercare for winners Consumer protection Protection of winnings	Comprehensive information about the National Lottery, including descriptions of games, the chances of winning, the value of prizes, number of prizes remaining, guides for players and the game rules must be made readily available to players Winners of prizes above £10K must be offered, free of charge, information on relevant financial matters, whilst for prizes above £250K an appropriate advisory service must be offered free of charge.
(3) The Public	We want to maximise returns for good causes in ways that garner public trust and uphold our responsibilities to protect the public	Integrity of the National Lottery Returns to good causes Responsible play	An adequate system must be in place to prevent, detect, record and investigate fraud or security incidents of any type relating to the National Lottery
(4) Public interest groups – Academic institutions, research bodies, charities, campaign groups, religious / welfare groups, organisation for problem gamblers	We want to be trusted for our commitment to the highest standards of responsible play	Continuous improvement in responsible play	The licensee must apply measures that prevent children under the age of 16 from selling or buying tickets and discourage excessive play
(5) Government – Members of Parliament, the Department of Culture, Media and Sport, the Treasury	We want to be trusted to operate the Lottery in an efficient and socially responsible way and to benefit from legislation that supports this aim. We also want to work with Government to maximise policy opportunities to assist in growing returns to good causes.	Better regulation Tax regimes Employee wellbeing Responsible play Good cause funding Responsible lobbying	NLC does not seek to guide Government
(6) Regulator – The National Lottery Commission	We believe better regulation will help to generate more funds for the good causes	Compliance with regulation and integrity of operations	NLC does not seek to guide itself
(7) The National Lottery Distribution Bodies – The National Lottery Promotions	We continue to work with the distribution bodies and NLPU to ensure all constituent parts of The National Lottery share	Good cause funding Promotion of funding	NLC does not seek to guide the Distribution Bodies

Unit (NLPU)	information and understanding		
(8) Media	We provide timely, accurate and interesting information to the media and seek to develop a relationship based on trust and open communication	Commercial initiatives Publicity surrounding winners, new games, and rollovers	There must be a long term marketing strategy in place which is communicated to the NLC and which is effective in encouraging all potential players to participate in lottery games, but not excessively, provided they are 16 or over A sufficient range of media must be used in advertising to ensure desirable coverage and frequency targets are met The licensee must undertake a comprehensive range of public relations activity
(9) Suppliers – Around 800 large and small companies from which we buy goods and services	We aim to work in partnership with suppliers and to be consistent and responsible in our behaviour.	Fair treatment and financial stability Supplier integrity	The licensee shall secure that contractors approved by the NLC have adequate systems of internal control. The licensee and its appointed agents must comply in all respects with the Advertising and Sales Promotion Code of Practice and use reasonable endeavours to ensure that suppliers and third parties also comply
(10) Local communities – Home to our employees local charities, voluntary and community groups	We want our community investment to embody our values, support our business objectives and build rewarding relationships with the areas where we operate	The impacts of our contributions	NLC does not seek to guide communities
(11) Retailers – Over 28,500 retailers, split roughly 60:40 between small independents and large multiples	We aim to work in partnership with our retailers to ensure they supply National Lottery products with integrity and support us to maximise returns to the good causes	Reliable technology Availability of scratchcard supply Frequency of face to face contact with Camelot Support to maximise sales and commission Fair retailer selection Retailer integrity	The licensee must ensure that retailers are given training which makes it clear that they must not sell tickets to under 16s or to those who play excessively The licensee must ensure that clear criteria are employed for retailers to qualify for selection and de-selection The licensee and all its appointed retailers who sell tickets for any game in the Lottery must be familiar with the games and their operation, the procedures for collection and payment of cash and the codes of practice
(12) Shareholders	We want our shareholders to be proud of Camelot and recognise our high level of accountability. In return we aim to provide a satisfactory return on investment	Risk and company performance Share sale	NLC does not seek to guide shareholders

Source: Expanded from Camelot Group (2011a) and National Lottery Commission Regulatory Imperatives (2003)

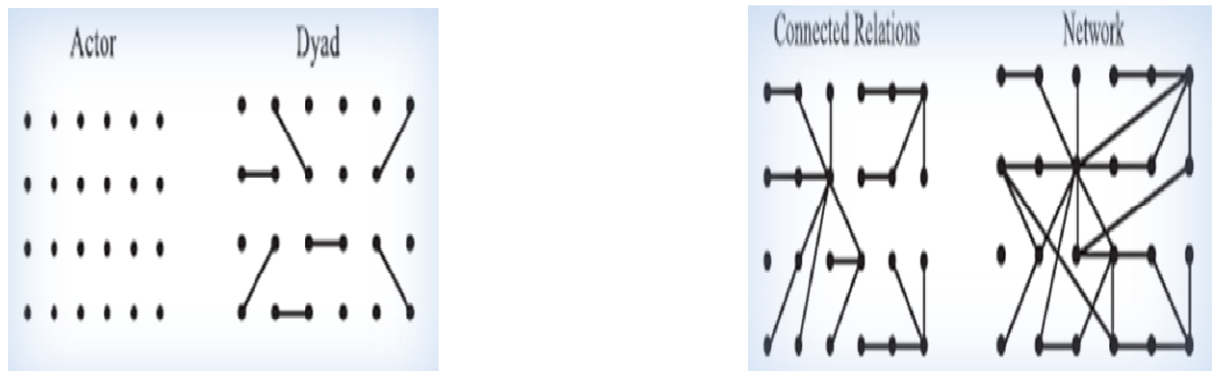
As is evident from Table Two which summarises the stakeholder responsibilities according to Camelot, the vast majority of CSR commitments shown in the third column can be linked directly to regulatory imperatives established by the National Lottery Commission. Given the foregoing discussion, we argue that unilateral, watchdog and supply chain perspectives on CSR are inadequate lenses with which to understand social responsibility in the lottery and gambling sector as an example of a contentious industry. In the following section we develop the concept of Integrated Network Responsibility (INR) to explaining the CSR perspective in these cases and we also justify further our rationale.

Integrated Network Responsibility

In general, the network paradigm has been discussed from various scholars providing a plethora of perspectives. In his seminal work, Jarillo (1988) notes that “a network is a constellation of firms linked together in a market by goal congruence and trust in order to encourage committed actors to share benefits”. Under this vein, Lewis and Slack (2003) stress that the network paradigm promotes the consideration and understanding of competitive and cooperative forces, helps in identifying particularly significant relationships, and encourages a fundamental focus on long-term issues essentially suggesting a new way of ‘doing business’ both upstream and downstream. Other scholars have extended the network paradigm further by introducing the elements of interconnectedness and complexity (Håkansson and Johanson, 1993). We believe that all these issues are of particular importance in this paper considering the continuous, and

multiple interactions between network members (Camelot, suppliers, retailers, other stakeholder groups). But more importantly, the last two elements (interconnectedness and complexity) can justify our rationale for introducing in this paper the concept of Integrated Network Responsibility. We believe that the ‘supply chain’ concept is not adequate to cover the full complexity and interactive nature of relationships between various members of Camelot’s network with Figure 1 illustrating our thinking. Specifically, each dot in Figure 1 represents a supply chain firm (or actor) that could be a supplier, a retailer firm, Camelot, other stakeholder groups etc. At this stage, suppliers and retailers start forming an individual, dyadic relationship with Camelot. However, it is quite unusual for any firm (and Camelot) to interact only with a single supplier / retailer and to be a member of a dyadic supply chain only. Firms are more likely to be connected directly and indirectly with various other firms, most normally under a non-linear and complex relationship (connected relations). Ellis (2011) also mentions the metaphor of a “net” to capture the various links up, down and across the network that is more appropriate in this paper considering the ‘web’ or ‘net’ of activities, interactions and influential relationships between the members involved.

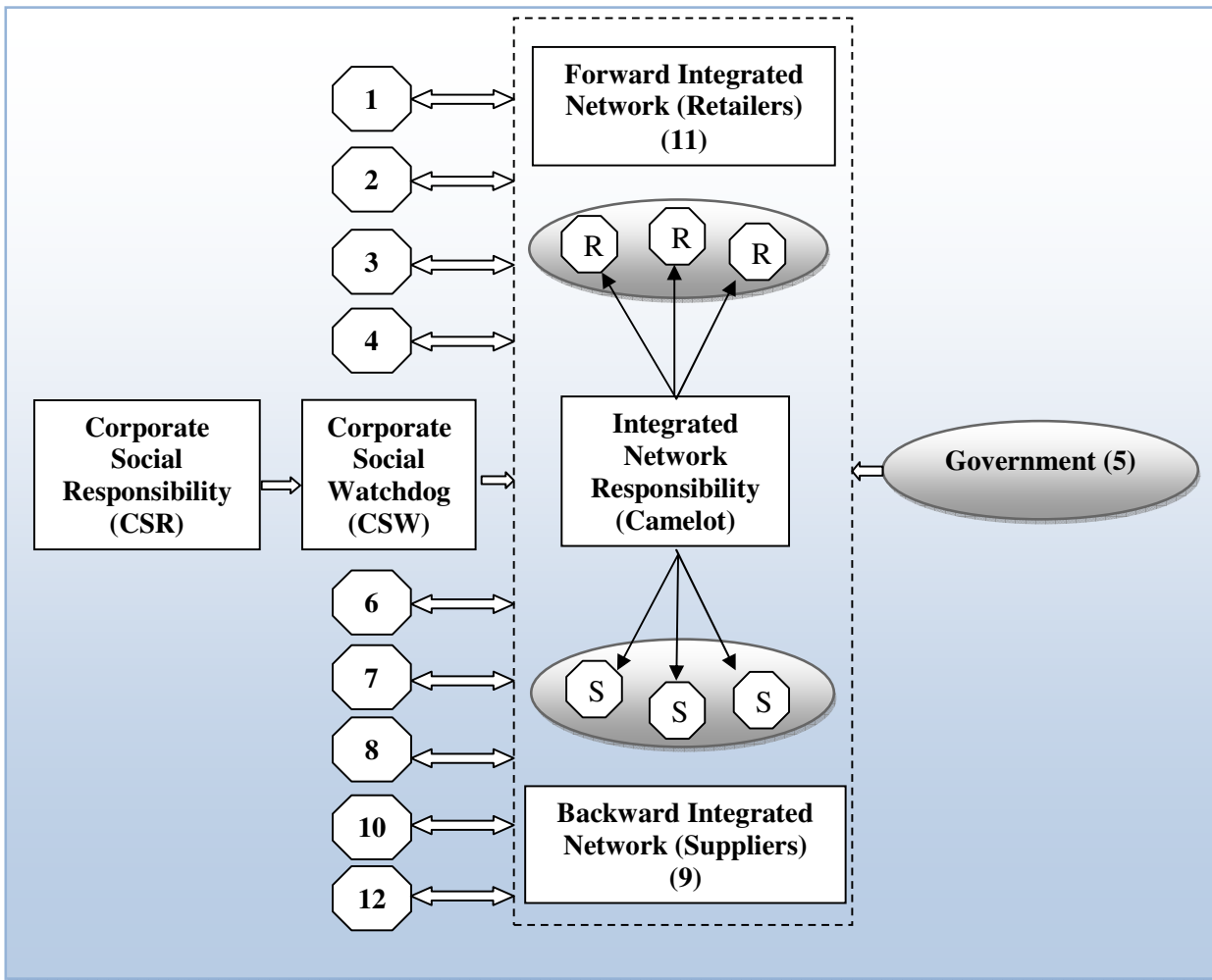
Figure 1: From Supply Chain to Network Management



Source: Ritter et al (2004)

In turn, network and cluster orientations on CSR have been explored to a small degree previously, including through work on social capital; however, they have been focused on small and medium sized enterprises primarily (e.g. Fuller and Tian, 2006; Murillo and Lozano, 2009; Russo and Perrini, 2009; Von Weltzien Høivik and Shankar, 2011). Such work tends to study geographical regions and collaboration within an industry by peers, i.e. other SMEs. For the aforementioned reasons, we believe that the framework by Spence and Bourlakis (2009) analyzing stand-alone CSR, Corporate Social Watchdogs and Supply Chain Responsibility, or even the peer group Cluster responsibility can not adequately explain CSR in a highly regulated controversial and complex industry like the lottery. Based on the above, Figure 2 illustrates a more robust framework that contains the evolution from CSR to CSW to the INR dimension and it shows the interconnectedness between the members of this network.

Figure 2: From CSR to CSW to INR



Note: The numbers given in Figure 2 correspond to network members (and stakeholder groups) stated in Table 2. In the dotted line, the whole Network is included and in the centre, the last stage – Integrated Network Responsibility is noted.

Source: The Authors

Thus, the Integrated Network Responsibility is the coherent attention to social responsibility issues by members of a network with concern about the social performance of a common sector (see Table One for these members). There are similarities with

stakeholder management and dialogues perspectives in this approach, but they have a crucial difference. From the point of view of Integrated Network Responsibility, no single organization is at the centre of the stakeholder diagram. Nevertheless an approximation may be drawn to Freeman's network of stakeholders which appears early on in his work on the topic but is rarely referred to, the focus instead remaining on the single organization at the hub of a range of organizational stakeholders positioned like spokes on a wheel (Freeman, 1984). In the particular case in question, if anything it is the NLC who are the relatively powerful arbiter in the network through regulation and the licensing process itself. Hence, the NLC on behalf of government has the most influential role in the proposed INR and its influential "network position" (Wilkinson and Young, 2002) is further stressed in Figure 2 by placing that actor / government separately from the other network members.

Camelot act not at the centre of the picture, but as agents of government policy who also seek to maximise profit for shareholders as well as attend to their constraints in terms of maximising contributions to good causes such as funding for sports, heritage, health, education and arts events as well as having a duty of care for consumers. The National Lottery has raised over £24 billion for the good causes and more than 330,000 projects have been supported (Camelot Group, 2011c). More specifically, Camelot is implementing and successfully adhering to the government policy and to other CSR guidelines within its network of suppliers and customers under an integrated fashion, hence, the proposed Integrated Network Responsibility stage. This involves forward and

backward integration of these CSR guidelines and policy towards retailers and suppliers respectively (see Figure 2).

In the next section we examine whether Camelot has also taken the initiative to *extend their responsibility* in that network in that backward and forward integration fashion. At the same time, we will examine other related issues including the *power* element that Camelot may enjoy in that network and *the nature of relationships* between Camelot and its suppliers / retailers which can be considered as part of a relationship “atmosphere” (Håkansson, 1982). The above are of key importance in the network literature and numerous network scholars have analysed them. For example, Anderson *et al.* (1994) have illustrated the role of power in networks whilst Håkansson and Ford (2002) have analysed the existence, type, form and connections within network relationships. Based on work by Doz and Hamel (1998) and Gummesson (1999), Möller and Halinen (1999) outlined the relational practices followed by major retailers including the sharing of information and extending their practices (and responsibility) to the whole distribution network.

The above issues will be examined in the empirical work and our findings will be supported by specific Key Performance Indicators (KPIs) measuring various INR-related aspects for both suppliers and retailers. These KPIs could also provide further evidence of the ways that Camelot has extended, interpreted and operationalised its responsibility in that network. Overall, the rationale of our suggestion for the Integrated Network Responsibility concept is supported by Brammer *et al* (2011: 51) who conclude that there

are three areas for research on CSR/sustainability and supply chains: research on the performance implications of sustainability in supply chains; theory development; comparative empirical research. This paper constitutes a contribution to theory development by in particular introducing the INR concept as of relevance to ‘contentious’ or even complex industry such as the gambling one and more specifically, we use the case of Camelot in the context of the UK national lottery to illustrate that concept. Overall, the paper aims to shed light on the role and importance of this concept for Camelot and its network members, especially suppliers and retailers; it also analyses the role and influence of other key issues within that network such as power, extended responsibility and nature of relationships.

Methodology

A qualitative case study methodology was employed in our empirical work as the objective was to support the detailed exploration of the case in hand and to provide extensive knowledge of a specific context (Eisenhardt, 1989). Information was generated via interviews with key informants / decision makers in organisations which is a standard interrogative method in case research (see Miles and Huberman, 1994). Over nine interviews were carried out with people from the case study companies, suppliers, retailers, and industry experts (see Table 3). In addition, the wider project included interviews with managers and policy makers from relevant organisations such as the Chartered Institute of Purchasing and Supply, the Federation of Small Business and the Office of Government Commerce.

Table 3: Participants of Interviews

Organisation	Role		Organisation	Role
Camelot	Head of Supplier Development		Retail Multiple	Manager and Co-chair of Camelot Retailers Forum
Camelot	Director of Sales		Supplier to Camelot	Managing Director
Camelot	CSR Advisor		Supplier to Camelot	Managing Director
Camelot	Retail Planning Manager		Owner of Retail SME and National Federation for Retail Newsagents	National President of Federation
Camelot	Warehouse and Distribution Manager			

These interviews were recorded, transcribed and analysed to provide a holistic picture of the company with input from different perspectives in relation to the issues under examination. In addition, a thematic analysis was followed for the qualitative data analysis (Banister et al., 1994) and key themes were identified in the relevant literature that is a typical approach in this discipline. Overall, the “thematic” analysis provides a coherent manner of organising primary data and enables data to speak for itself (Banister et al., 1994). In the next section, we provide few important quotes from the interviewees primarily because they are of some value in defining, supporting or elaborating the researcher’s interpretation of events (Glaser and Strauss, 1967). Finally, we will support

our findings with relevant Key Performance Indicators in relation to INR for both retailers and suppliers.

An Illustrative Example of Integrated Network Responsibility: Camelot

The Camelot Group is the only provider to have operated the UK National Lottery to date. The licensing process has itself been controversial, with challenges around the high profits made by Camelot and the nature of it as a profit-making company – rather than charitable – organization. Nevertheless, it has three times been awarded the license, each time under increasingly stringent rules and regulations for operating practices set by the UK National Lottery Commission and with the third National Lottery License won for 2009-2019 (Anon, 2007); in March 2010, Camelot was acquired by the Ontario Teachers Pension Plan for the amount of £389 million (BBC News, 2011).

Camelot's own interpretation of its social responsibilities are outlined in its code and relate to Corporate Governance; Respect for the Individual; Risk Management and Control; Health and Safety; Equal Opportunities; Fraud; Staff Consultation; Advertising, Sales Promotions and Corporate Communications; Government Relations; Political Contributions; Player Services; Preventing Excessive and Under Age Play; Corporate Responsibility Reporting; Environment; Community Involvement; Business Monitoring and Control. (Camelot Code, 2010).

Thus Camelot's responsibilities are diverse and substantial, illustrating that it is part of a wide *network* of stakeholders including those shown in Table Two. They are also charged

with a duty of care to its players and winners, and with maintaining public trust and confidence in The National Lottery” (Camelot Group, 2011b). According to BiTC (2006), Camelot soon understood when given the first licence that “it would be heavily regulated on the one hand, and would carry great visibility and consequently great public expectations on the other. This meant that it needed to make a clear assessment of its potential impact and to show that it could mitigate any negatives”.

The above illustrates the ways Camelot has approached INR within its network. Further analysis is given in the following pages where we will examine three key aspects within that network including power, extended responsibility and nature of relationships.

Dealing with the balance of power at various levels in the network

First tier suppliers for Camelot are principally based in the UK and it has approximately 800 suppliers with the top 50 accounting for about 80% of spend. That spend involves a range of items such as play slips, tickets and terminals as well as information technology, security, customer services, marketing and media services. Camelot supplies to over 28,800 retailers including the big supermarkets but about 60% are small independent retailers and Camelot seeks to ensure that all these customers are treated fairly and have a clear input into decision making which affects them.

Nevertheless, it is evident that Camelot retains a vast amount of power with its suppliers and retailers and this is recognised fully by their suppliers: “*Camelot are far more aware (than other customers) of the power that they hold and the organisation that they are and*

I think that they really do believe and live the spirit of partnership that they so frequently talk about” (Managing Director of a Supplier to Camelot)

Many of these suppliers are small and medium sized enterprises (SMEs) and Camelot could constitute a major part of their revenues. Camelot protects these firms from being disadvantaged by adopting an approach whereby no more than 20% of a supplier’s turnover should be with Camelot. This is done to avoid supplier reliance on Camelot and potential bankruptcy for them if the relationship ceases for any reason bearing in mind the limited nature of each license period. Actually Camelot has set a target to make sure that no more than 10% of suppliers rely on them for more than 20% of their business.

Considering the heightened power of major UK supermarkets as retailers, Camelot tries to ensure that independent retailers retain a significant amount of the business and at the same time maintain high levels of access for all players. Camelot aims to maintain a balance of 60/40 in favour of independents in line with retail trends and it is something that: *“historically the company were very keen to kind of protect the independent sector” (Director of Sales, Camelot).*

In 2009/10, this was almost achieved as Camelot had a 58/42 ratio in favour of independents (Camelot Group 2011c). The Co-Chair of the Retailer Forum (a consultative body which represents lottery retailers from across all retail sectors and discusses policy developments, challenges facing retailers, new games, retailer selection and strategies to prevent underage and excessive play) believes that for some of the

smaller retailers, the Lottery is what makes the difference between survival and going out of business. This is not only because of the money earned directly but also because of the extra footfall brought into the shop.

Irrespective of the power issue, suppliers are keen on timely payment and Camelot is committed to paying within a maximum of sixty days. The number of invoices paid to term is regularly monitored and published annually in the Corporate Responsibility Report (87% for 2009/10, Camelot Group 2011c). With small retailers, payment terms have been adjusted in the past as these retailers found it hard to pay for packs of scratch cards before they had been sold.

Extended network responsibility when managing suppliers and retailers

The Head of Supplier Development at Camelot follows a risk management approach in terms of social, ethical and environmental impacts. Although the primary objective is “to secure value for money”, making the network of suppliers aware of (and responsible for) potential operational risks and impacts is key to Camelot. In addition, Camelot developed a supplier self-assessment relationship survey helping to identify high risk industry groups based on social, ethical and environmental risk assessment of their network and categorised suppliers who fell into these groups accordingly. More importantly: *“Results from the annual supplier relationship survey help to push forward our CSR or corporate responsibility agenda and extend our thinking to suppliers” (Head of Supplier Development, Camelot)*

Camelot wishes then to see suppliers meeting its standards and encourages its suppliers to check the standards of their sub-suppliers too (tier 2 suppliers in Camelot's network). In many occasions, Camelot actively supports suppliers towards that. A major supplier of payslips and receipt rolls for Camelot noted that: "*The Supplier Relationship Manager and Head of Supplier Development from Camelot went with me to meet a potential sub-supplier of recycled paper (tier 2) and the input from Camelot was very useful for the appointment of that sub-supplier*" (Managing Director of a Supplier to Camelot).

The selection of retailers to take on a National lottery terminal is highly competitive. When a terminal becomes available, Camelot reviews the opportunities available according to the latest market information and to all possibilities across the retail estate rather than a particular geographical area. Subsequently, Camelot selects those retailers who offer the best opportunity to maximise sales and returns to good causes. Camelot does not operate a one for one policy in selecting a new retailer: so if a lottery retailers closes down, a neighbouring retailer will not necessarily get their terminal; conversely, if they believe there is sufficient player demand in a particular area they may select retailers close to one another – there is no 'waiting list'. An interesting comment was given by the Director of Sales at Camelot: "*We look at its proximity to things like schools and if there is proximity near a school we will take it out so we won't select it. If the selection means that it will increase and improve the access for a local disabled centre or old aged people's home or a community or a rural community then all is taken into account*".

In addition, Camelot have committed to having up to 1000 retailers designated as Community Outlets. These are often in rural communities and they qualify by location, to ensure that communities in each post code in the UK have access to a lottery terminal and to make sure that the removal of a terminal would not cause significant problems for the community to access the lottery.

Nature of relationship

INR implies that there is a two way communication flow with both suppliers and retailers having the opportunity to give (and receive) feedback when they deal with Camelot. Specifically, suppliers give feedback through an annual supplier survey that covers specific areas such as certification, company policies, satisfaction levels with the Camelot relationship and with 98% of suppliers being satisfied (2009/10, Camelot Group 2011c). Camelot has also encouraged further input by a medium-sized firm supplying the playstation point of sale equipment resulting to the supplier having a decisive input in Camelot's storage operations. The Managing Director of that supplier stated that the relationship is the closest the company has with any of its customers and he puts that down to the efforts made by Camelot and because: "*Camelot have allowed us to get closer to them*". This is confirmed by a manager from Camelot mentioning: "*It has been a very open, frank and honest relationship on both sides*" (*Warehouse and Distribution Manager, Camelot*). Similar positive findings were noted for many other suppliers to Camelot.

Feedback from retailers is important to Camelot too. According to the latest retailer relationship survey, 94% of retailers said they were satisfied with Camelot's approach to the relationship in 2009/10 (Camelot Group 2011c) and it is perceived as a partner that listens, collaborates, seeks feedback, acts on it and consults. A primary example of Camelot acting on feedback (and an example of INR) is the Sales Improvement Programme (SIP). Here, any retail outlets performing below the minimum weekly sales target set by Camelot, are put on SIP, a thorough programme to help retailers, through extra training, raise their weekly revenue from the lottery, with a threat of having their lottery terminals removed only as a very last resort if they do not meet their targets. In consultation with the Retailer Forum, Camelot reduced the baseline of sales at which an outlet is put on SIP from £1400 per week to £1000 per week.

Furthermore, Camelot has ensured transparent, visible and honest processes and practices with its business partners. A key informant from Camelot mentioned the impact of that on the supplier supply chain noting: *"Sixteen percent of our suppliers felt that our business approach and our social and environmental commitment has led to changes in their supply chain or has entered their supply chain"* (Corporate Responsibility Advisor, Camelot)

Suppliers interviewed indicated that Camelot had contributed to building relationships based on trust because of a willingness to disclose information, not just require it from others. According to BiTC (2006), Camelot has invested a large amount of resources to 'educate' and 'train' its retailers and suppliers to follow its business approach. A good

example of this education is the Operation Child initiative: *“Operation Child is a programme that we committed to undertake as a business. We conduct 10,000 retail visits a year across all sectors using children that are older than 16 look younger than 16 and it is a test purchasing scheme and it is a way of testing the measures and the control that retailers have in place not to sell tickets to under 16s. If retailers sell tickets more than three times during these visits then there is a severe penalty”* (Director of Sales, Camelot)

This initiative had a major impact and it has been very successful. Nevertheless, it is not an initiative that is undertaken by firms in comparable sectors: *“If you go into the drinks industry, you don’t see the big breweries or alcopop companies or spirit companies sending out people to see off licences or supermarkets serve these people drink. And you certainly don’t see it with the large tobacco companies....You find that the police and Trading Standards end up doing this job on behalf of alcohol and cigarettes, whereas Camelot actually do it themselves for the Lottery!”* (Manager of Retailer and Co-chair of Camelot Retailers Forum)

Based on the above, we believe that Camelot has followed the INR approach, responding – necessarily – to the National Lottery Commission regulatory imperatives to address the above issues. Our identification of issues is complemented further by Camelot’s own data and measurement of social responsibility in their supply network through a plethora of Key Performance Indicators (KPIs) to monitor and ensure the fair and responsible management of its dealings with suppliers and retailers in that network. Table 4 provides

the results for KPIs in relation to INR for both suppliers and retailers. These results support the findings of our empirical work and justify further the notion that Camelot has extended, interpreted and operationalised its responsibility in their supply network by using various mechanisms and processes (including KPIs).

Table 4: Camelots KPIs in relation to Integrated Network Responsibility

<i>Issue assessed</i>	<i>Key Performance Indicators</i>	<i>Target</i>	<i>2009/10</i>	<i>2008/9</i>	<i>2007/8</i>
<i>Balance of power in network relationships</i>	Retailers satisfied with Camelot’s approach to the relationship (%)	90.0	94.0	Not available	Not available
	Invoices paid to term to suppliers	In term	87.0	90.0	94.0
	Ratio of independent to multiple outlets (%)	60.0: 40.0	58.0: 42.0	59.4: 40.6	58.5: 41.5
<i>Extended responsibility through the network</i>	Retailers who refused to sell to an Operation Child test purchaser on first visit (%)	90.0	90.2	91.8	93.0
<i>Nature of network relationship</i>	Response to retailer selection request (%)	95.0	100.0	Not available	Not available
	Response to retailer correspondence (%)	95.0	100.0	Not available	Not available
	Suppliers satisfied with overall relationship with Camelot (%)	80.0	98.0	97.0	97.0

Source: Camelot Group (2011c; 2011d); Interviews with Key Informants

It must be acknowledged that Camelot, by virtue of the licence to operate granted by the National Lottery Commission, retains power in its network, despite the company stating that it did not wish to exploit this. Here there is an unavoidable truth – Camelot, with major national brand status, holds the dominant power position in most of its network relationships, notwithstanding the stated commitment to the partnership approach.

Indeed, in the Procurement and Tendering Policy, there is clear statement of the Camelot Group policy “Take full but fair advantage of its position as a large purchaser.” (Camelot Group, 2010, p. 3).

Conclusion

In this paper we have extended the concept of supply chain responsibility to introduce Integrated Network Responsibility. We have developed this new concept in response to the complex situation in the controversial sector of the UK National Lottery. In this sector, an Act of Parliament and subsequent regulatory imperatives set high social responsibility standards for the monopolistic lottery operator. Going beyond a standard stakeholder model, Camelot acts as an agent of the State, and is required to manage its own powerful position in the network and use its pivotal position to promote responsibility among network members. This agency is extended to suppliers, retailers and employees, in the pursuit of protecting (vulnerable) consumers and the public (via public interest groups) and maximizing money generated for good causes. As a company, it is also subject to the need to maximize the return on investment for its shareholders.

Integrated Network Responsibility draws from both supply chain and stakeholder approaches to understanding organizational responsibility. However, it goes beyond each of these in important ways. A supply chain responsibility approach is too narrow, taking into account primarily suppliers and customers, but disregarding the important involvement in this controversial industry of the public (including those not playing the lottery), public interest groups, the recipients of lottery money and the regulatory

framework (and Government) which dictates the operational responsibilities. Similarly, the standard stakeholder approach is inadequate in the national lottery case because of the utterly dominant role which Government play via legislation and regulation in not just influencing but controlling the literal license to operate of the national lottery provider and the framework of operation. Government does not just have a stake in the national lottery, it controls its existence. A different kind of analysis than that presented here might put the Government at the centre of a stakeholder map and make Camelot one of its stakeholders, but that is beyond the purpose of this particular paper.

To summarize, Integrated Network Responsibility constitutes a response to social responsibility requirements where a complex set of interrelationships at the macro, meso and micro level must be acted upon and engaged with in order to achieve a social responsibility goal. In such examples, unilateral, dyadic or linear social responsibility dynamics are inadequate to describe practice, or resolve mutual social responsibility challenges and affect positive social change. Such multiparty social responsibilities require an Integrated Network Responsibility framework in order to be addressed successfully.

Integrated Network Responsibility concept has wider application than national lotteries. We propose that it is likely to be relevant in the context of controversial industries such as the tobacco industry, gambling, alcohol, fast food industries (with a common factor of potentially addictive products), but it may well be extended with some adaptation to other problematic or even contentious sectors with additional perspectives such as

pharmaceutical, weapons manufacture, gas and oil extraction. Some of the antecedents for Integrated Network Responsibility might accordingly include:

- Vulnerable or potentially vulnerable consumers (e.g. social services)
- Industries supplying addictive products (e.g. tobacco)
- Monopoly situations (e.g. the National Transmission System for gas)
- Highly profitable industries (e.g. financial services)
- Complex relationships between powerful corporations seeking to influence government and NGOs by self-regulation and lobbying (e.g. banking sector)
- Industries which are important for national security (e.g. food, water, defence)
- Industries with a high impact on global health and stability (eg pharmaceuticals, energy)
- ... Resulting in National or Supra-National Government intervention

In short, where the laissez-faire free market is an inadequate determinant of fair practice and the stakes are too high to accept irresponsibility, intervention by an overarching public body is necessary. This changes the nature of the responsibility dynamic, and has been under-acknowledged previously. What we are accessing in Integrated Network Responsibility is not just legal compliance issues but the subcontracting of responsibility to a multiparty network, sometimes with one or two powerful players as agents of responsibility.

In the current paper we have introduced Integrated Network Responsibility. This work opens up a wide range of future research areas. Further empirical work is needed to test

INR's wider relevance. In our research three key parameters of network responsibility have been found to be management of power, nature of relationships and extended responsibility. Further research could test whether these issues are common to other network settings or are particular to the national lottery context. We have assumed a governing, public body as the influencing force requiring Integrated Network Responsibility, but it may be that other forces could have a similar effect, including for example large scale natural disasters (such as the Haiti earthquake of 2010), or overwhelming media or public pressure (such as the campaign to investigate politicians' expense claim irregularities led by the UK newspaper The Telegraph). As society, media and commerce becomes increasingly globalised and integrated, it should also be considered to what extent the Integrated Network Responsibility concept can be applied beyond national borders and across sectors and society. It seems possible that Integrated Network Responsibility might have much wider applicability than the initial proposal we have presented here. Indeed in truly global challenges like climate change, poverty, social justice and health, anything less than a deeply and widely networked approach to responsibility, we contend, would be wholly inadequate. We urge researchers to investigate further the validity and applicability of Integrated Network Responsibility.

We acknowledge the limitations of the study presented here. It is based on a relatively small number of interviews pertaining to a single case study company in a single sector, in a single country. Nevertheless, this high degree of focus has, we contend, enabled us to identify a conceptual lens which, we believe has potential to broaden the field and practice of social responsibility research.

Endnotes

1. We follow Brammer et al's (2011) lead and treat research on CSR and supply chains, business ethics and supply chains, and sustainability and supply chains as contributing to the same field, although we acknowledge that a finer grained analysis might dispute this amalgamation of sub-literatures.

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