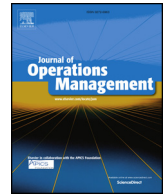




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Journal of Operations Management

journal homepage: www.elsevier.com/locate/jom

Developing country sub-supplier responses to social sustainability requirements of intermediaries: Exploring the influence of framing on fairness perceptions and reciprocity

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ARTICLE INFO

Accepted by: Tyson Browning

Keywords:

Social sustainability
Multi-tier supply chains
Developing country
Sub-suppliers
Intermediaries
Framing
Fairness
Reciprocity

ABSTRACT

Research on social sustainability in multi-tier supply chains is limited. Specifically, we know very little about a) the micro-processes involved in the way in which sub-suppliers (i.e., first-tier suppliers or sourcing agents) respond to the sustainability requirements imposed by their intermediaries; and b) the micro-level antecedents that condition their responses. To address these gaps, we used a longitudinal multiple case study method to explore multiple intermediary – sub-supplier dyads in South India's knitwear garment industry and drew upon constructs of behavioural economics. We found that the way in which intermediaries frame social sustainability requirements and their associated procedures influence both the way in which sub-suppliers perceive the procedural fairness of those requirements and the way in which they thus reciprocate. When intermediaries frame social sustainability requirements as 'opportunity' and engage in various procedures perceived to be procedurally fair by sub-suppliers, the latter reciprocate positively. Contrastingly, when intermediaries frame social sustainability requirements as 'insulation' and engage in various procedures perceived to be procedurally unfair by sub-suppliers, the latter reciprocate negatively. Under the production-dominant framing, sub-suppliers exhibit positive reciprocity only related to processing production orders. Our analysis inductively generated propositions that emphasize the important role played by framing in shaping the perceptions of fairness held by sub-suppliers towards social sustainability requirements and the reciprocity of the latter's responses to them.

1. Introduction

Social sustainability in supply chains is mainly concerned with improving the rights, welfare and entitlements of workers and enhancing the quality of their employment (Huq et al., 2016). The increasing global reach and complexity of many multi-tier global supply chains poses particular challenges for 'lead' firms trying to manage social sustainability (Mena et al., 2013). Much of this complexity stems from the supply chain's exposure to institutional environments characterized by weak legal frameworks (Khalid et al., 2015). In multi-tier supply chains, most social sustainability outcomes are, inevitably, a product of practices and activities that arise beyond the boundaries of the lead firm. However, effectively influencing the practices of firms beyond first-tier dyadic relationships (direct buyer-supplier) is complicated by the increasingly global scope of supply relationships (Seuring et al., 2008), the lack of information on the identity and activities of sub-suppliers (i.e., second-tier to nth-tier firms) (Wilhelm et al., 2016), and the absence or weakness of traditional contractual governance

mechanisms and institutions responsible for enforcing contracts, more likely in developing countries (Grimm et al., 2014). The challenges linked to ensuring social sustainability beyond direct supply relationships have meant that many of the severe and damaging examples of unsustainable conduct have arisen in the context of sub-supplier factories (Grimm et al., 2016).

The recognition of the difficulties associated with directly managing social sustainability at the sub-supplier level has resulted in lead firms transferring the responsibility to first-tier suppliers or sourcing agents (henceforth, intermediaries). For example, Wilhelm et al. (2016) showed how and under what conditions first-tier suppliers take on a double agency role that sees them acting as agents for their lead firms implementing the sustainability requirements in their own operations, and acting as agents to make their suppliers implement the sustainability requirements imposed by the lead firms. Similarly, Soundararajan et al. (2018) explored the boundary-spanning role played by the sourcing agents commonly found in the textile and garment supply chains in improving working conditions. They showed

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<https://doi.org/10.1016/j.jom.2018.04.001>

Received 26 October 2016; Received in revised form 27 March 2018; Accepted 9 April 2018
0272-6963/ © 2018 The Authors. Published by Elsevier B.V.

that, under certain conditions, sourcing agents act as boundary spanners performing work aimed at dismantling or bridging the various boundaries that affect the interaction between lead firms and sub-suppliers with respect to improving working conditions. While they highlighted the shifting roles played by intermediaries, research on the conditions under which sub-suppliers in developing countries, who depend on ad-hoc spot production contracts granted by intermediaries, positively or negatively respond to their social sustainability requirements is extremely scant. Specifically, the extant research has shed relatively little light on the ‘micro-level behavioural processes’ or ‘micro-processes’ that are involved in the sub-supplier management of social sustainability requirements and related exchanges between sub-suppliers and intermediaries. Micro-processes refer to interpersonal and interactional processes (Staw and Sutton, 2000). Therefore, it is the sub-supplier - intermediary dyads, and the interaction between them with respect to social sustainability requirements, especially sub-suppliers’ perceptions of the way in which the requirements are imposed, that are of central importance to this research.

Therefore, in this article, we ask two questions. a) What micro-processes are involved in the response of sub-suppliers to the social sustainability requirements imposed by their intermediaries? b) What are the micro-level antecedents that condition the responses of sub-suppliers? We explore these questions by means of an in-depth longitudinal multiple case study of intermediary-sub-supplier dyads located in Tirupur, India. Specifically, by drawing on theoretical constructs from behavioural economics—namely, procedural fairness (Folger and Konovsky, 1989), reciprocity (Fehr and Gächter, 1998) and framing (Levin et al., 1998)—we explore the conditions under which sub-suppliers perceive social sustainability requirements as either fair or unfair and, thus, on the likelihood that they will reciprocate in those dyadic relationships by attempting to meet social sustainability requirements. Our study of the micro-level processes involved in multi-tier supply relationships shows the connection between intermediaries’ framing of social sustainability requirements and associated procedures, and sub-suppliers’ perceptions of fairness and reciprocity.

Our findings make several important contributions. First, by adopting a micro-level lens, we show the importance of intermediaries’ framing of sustainability requirements in triggering different types of procedural fairness perceptions and reciprocity in developing country sub-suppliers. Second, while literature on framing (e.g. Levin et al., 1998) suggests that framing alone can induce behavioural changes, our findings show that framing of social sustainability requirements has to be coupled with associated procedures to influence fairness perceptions and reciprocal behaviour of sub-suppliers. Third, our study contributes to the crisis literature (Bundy et al., 2017) by capturing framing maintenance and framing shift induced by crisis situations, and the importance of establishing positive pre-crisis stakeholder relationships for effective crisis management. Finally, the study also contributes to emerging behavioural operations management research by qualitatively capturing the micro-level exchanges between sub-suppliers and intermediaries with respect to social sustainability. These findings highlight the importance of moving beyond instrumental approaches to social sustainability like pressure, financial incentives, or penalties and focus on relational processes like dialogue, collaboration, and trust-building (Jiang, 2009). We argue that understanding the micro-level processes is critical for the development of innovative sub-supplier management practices that encourage improved social sustainability across multiple tiers of global supply chains.

Our paper proceeds as follows. We begin by offering a review of the literature on social sustainability in global supply chains, framing, fairness perception and reciprocity, and present our conceptual model. Then, we describe the research design adopted to answer the research questions, followed by a comprehensive discussion of the findings emerging from the data. This is followed by a discussion of the findings and the development of propositions. Finally, we conclude by offering a summary of key findings, and discuss the theoretical and practical

implications, limitations, and future research directions.

2. Literature review

According to Wilhelm et al. (2016), most serious social failures happen at the sub-supplier level of global supply chains. For instance, in 2011, the Dutch based non-governmental organization (NGO) Centre for Research on Multinational Corporations (SOMO) published a report titled ‘Captured by Cotton’, which exposed the widespread exploitation of young girls in Indian garment sub-supplier facilities that produce for well-known brands like ASOS, Next, C & A, Mothercare, and H & M. This report attracted numerous local and international activists, media coverage, and public debates pressurizing brands and retailers. The social impact of the poor management of social sustainability issues in developing country supplier facilities is immense. Continuing occurrences of worker suicide in the factory of Apple’s Chinese supplier Foxconn (The Wall Street Journal, 2016), fire accidents in Bangladeshi factories even after the Rana Plaza disaster (AlJazeera, 2016), and modern slavery practices in supplier facilities in Southern India (Indian Committee of the Netherlands, 2017) are some instances of key evidence of the inadequate management of social sustainability.

Given the weak regulatory settings found in these contexts, private social sustainability requirements—in the form of third-party certifications and lead firm codes of conduct (CoCs)—have emerged as the primary means through which lead firms monitor and improve social sustainability in their supply chains (Locke et al., 2009). These requirements are rooted in International Labor Organization (ILO) conventions and local regulations, and share the common intention of improving social sustainability in supply chains. Although social sustainability requirements are growing, research, media, and NGO reports frequently remind us of their serious limitations in bringing about genuine improvements. Some scholars have even argued that, at times, such requirements push suppliers to engage in unethical behaviours (e.g., Awaysheh and Klassen, 2010; Lund-Thomsen and Lindgreen, 2014).

Until recently, very few studies focussed on the ways in which social sustainability requirements must be designed and implemented for improved compliance among developing country suppliers (e.g., Bartley, 2011; Jiang, 2009). For example, Bartley (2011) developed an institutional layering approach and argued that, to increase compliance, social sustainability requirements must be layered on multiple other institutional norms and regulations in the contexts in which suppliers are located. Based upon a study of Chinese apparel and textile suppliers, Jiang (2009) argued that an arm’s length relationship management approach reduces compliance among suppliers, while a collaborative one improves it.

Due to the complexity of their global supply chains, it is problematic for lead firms to manage suppliers beyond those in first-tier (Wilhelm et al., 2016). Because of their indirect relationship with sub-suppliers, information asymmetry, and limited transparency, the traditional control and/or pressure exercised by lead firms tend to have limited influence on the former’s behaviours (Grimm et al., 2016). Thus, lead firms transfer the responsibility of managing sub-suppliers to their first-tier suppliers or middlemen (Grimm et al., 2014). According to Wilhelm et al. (2016), first-tier suppliers or middlemen act as intermediaries and play a double agent role by implementing sustainability in their own operations and by ensuring that their own suppliers comply with the requirements of sustainability standards. These important insights notwithstanding, we still lack an in-depth understanding of the developing country sub-suppliers’ perspectives and behaviours towards social sustainability demands and the micro-level interactions occurring between the intermediaries and the sub-suppliers that shape them.

2.1. Challenges faced by developing country sub-suppliers

Sub-suppliers in developing countries face at least three challenges

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