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DOI:
10.1007/s10551-014-2418-y

Voluntary Governance Mechanisms in Global Supply Chains: Beyond CSR to a Stakeholder Utility Perspective

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(2nd round review in Journal of Business Ethics)

Abstract

Poor working conditions remain a serious problem in supplier facilities in developing countries. While previous research has explored this from the developed buyers' side, we examine this phenomenon from the perspective of developing countries' suppliers and subcontractors. Utilizing qualitative data from a major knitwear exporting cluster in India and a stakeholder management lens, we develop a framework that shows how the assumptions of conventional, buyer-driven voluntary governance break down in the dilution of buyer power and in the web of factors rooted in suppliers' traditions, beliefs, local demands and resource dependency. We reveal out how success in governing collaborative global supply chains often falls short within the subcontracting stage, where a stakeholder management mindset is elusive to most participants. We suggest that success in governing collaborative global supply chains is dependent on concepts of stakeholder utility and the presence of shared value that is often at odds with the realities of power, information asymmetry and compliance/reward systems inherent in the non-market coordination of global supply chains. Our findings offer important insights for delineating the concepts of value creation from CSR concepts and practices, and for modifying the basic assumptions of conventional supply chain governance.

Voluntary Governance Mechanisms in Global Supply Chains: Beyond CSR to a Stakeholder Utility Perspective

Introduction

The challenge of managing complex issues of corporate social responsibility (CSR) is becoming an increasingly important area of research, particularly in the domain of global supply chain management (SCM). Since the mid-1990's, organizational researchers have examined a variety of topics in this area, including the ethical and social responsibilities associated with poor working conditions (Lund-Thomsen and Nadvi, 2010; Mamic, 2005), the issues of accountability in international accounting standards (Gilbert et al., 2011; Rasche, 2010), the challenges associated with supplier-buyer relationships (Sheth and Sharma, 1997; Steinfield et al., 2011), the creation of culture for logistics social responsibility (Carter and Jennings, 2002), and the characteristics of supply chain governance (Lund-Thomsen and Lindgreen, 2013; Mueller, et al., 2009; Vurro et al., 2009). In total, research on global supply chain management has emerged as an important topic as part of a firm's set of CSR strategies to address its responsibilities towards the social and ecological environment (Gold, et al., 2010; Lindgreen et al., 2010; Tate et al., 2010).

Nevertheless, there is much work to be done in understanding global supply chain practices, and how they might be governed in emerging countries. SCM governance involves, "the mechanisms with which some firms in the chain set and/or enforce the parameters under which others in the chain operate" (Humphrey and Schmitz, 2001, p.20). These mechanisms offer non-market coordination of the chain through the arrangement of inter-firm relationships and institutional mechanisms (Cox, 2004; Shepherd and Gunter, 2006). Despite (or perhaps because of) the increased transparency of corporate activities, much of the literature on this topic has been examined from the developed buyers' side (Baden et al., 2009), to the exclusion of some of the challenges in the non-market coordination of the chain upstream in developing countries. While there is general understanding that developed buyers are obligated to monitor the behaviours of their suppliers as part of their role as responsible corporate citizens (Carter and Jennings, 2002), they often do this through controls and incentives under the parameters of agency-principal and transaction cost controls (Lim and Phillips, 2008). Therefore, in practice, governance mechanisms under CSR strategies (often referred to as ‘voluntary governance mechanisms’) are increasingly used to systematically fill the gap in global supply chains, especially in developing countries where control is needed (Locke and Romis, 2007), rather than to reform social and environmental issues.

Voluntary governance mechanisms are one aspect of a firm's CSR infrastructure (Waddock, 2008). They are complex**,** multi-stakeholder mechanisms used to govern aspects of a firm's social and environmental responsibilities, especially in global supply chains. Their success is dependent on interorganizational governance models that foster collaboration, cooperation and integrated approaches along the value chain - often referred to as a collaborative or cooperative paradigm (Vurro et al., 2009). Yet, there is historical evidence that while collaboration for working with CSR in global supply chains is good in theory, it is difficult to implement in practice, particularly in bringing sustained improvements in workers' conditions in developing countries (Lund-Thomsen and Lindgreen, 2013). In sum, the effects of CSR voluntary governance mechanisms in developing countries continue to be controversial and understudied (Amaeshi et al., 2008).

In this paper, we build upon the stream of literature on CSR/supply chain practices to investigate the dynamics of voluntary governance mechanisms and working conditions in the Indian export sector. Stakeholder theory (Freeman, 1984), suggests that a firm must ‘recognize’ and ‘manage’ relationships with multiple constituencies in the supply chain (Amaeshi et al., 2008). Voluntary governance mechanisms, although intermingled with concepts of stakeholder management, are newer practices that are "reshaping companies' responses to CSR issues" (Waddock, 2008, p. 87) and come with a set of assumptions about the basis for governance and stakeholder management. Integrating concepts from stakeholder management, CSR and supply chain management theories, we conduct a qualitative study of supply chain participants in the Indian garment industry to understand and dissect the challenges of effective CSR in global supply chains. We ask the research question, "What are the assumptions of voluntary governance mechanisms, and how do they affect the implementation of CSR/SCM strategies? More specifically, where in the global supply chain process might voluntary governance mechanisms break down, and how might this be rectified?”

Through our findings, we provide evidence of how the assumptions of conventional buyer-driven voluntary governance break down in the dilution of buyer power, and in the web of factors rooted in suppliers' traditions, beliefs, local demands and resource dependency. We point out how success in governing global supply chains is dependent on concepts of stakeholder utility (Harrison et al., 2010; Harrison and Wicks, 2013) and the presence of shared value (Kramer, 2011; Porter and Kramer, 2011) that is often it is at odds with the realities of power, information asymmetry and compliance/reward systems inherent in the framework of global supply chain management. As a result, while voluntary governance mechanisms are conducive to CSR ‘best practices’, they often fall short within the subcontracting stage, where the concept of utility in stakeholder management is elusive to its participants, and the cooperative paradigm breaks down.

Our manuscript is organized as follows. First, we provide background to our study, highlighting the ongoing complexity of voluntary governance initiatives as part of CSR strategy in global supply chain management. Second, we provide a literature review of theories relating to supply chain governance, highlighting the elements of voluntary governance mechanisms, and the elements of stakeholder theory that guide global businesses in addition to controls. Third, using our qualitative data, we explore the actual functioning of 'conventional' governance at different stages of the supply chain. Fourth, we identify the assumptions of voluntary governance mechanisms that break down in the context of developing countries. We then address the complementary nature of stakeholder utility and cooperative governance models, which together, may provide sustained improvements in workers' conditions and help to rectify the challenges of conventional governance models. We conclude with implications for theory and practice, as well as the limitations and future research directions.

Literature Review

Global Supply Chains, CSR, and Governance

With the increasingly transforming nature of international trade, the concept of CSR in global supply chains is also transforming. Multinational corporations are held responsible not only for their operations within their own territories, but also for the activities of their global partners such as suppliers or sub-contractors, third party service providers, and intermediaries even if they are not linked together on the basis of shared ownership (Andersen and Skjoett-Larsen, 2009; Maloni and Brown, 2006). In the extant literature, this notion has been emphasised under various labels such as supply chain responsibility (Spence and Bourlakis, 2009), corporate social responsibility in global supply chains (Amaeshi et al., 2008; Andersen and Skjoett-Larsen, 2009; Lund-Thomsen and Nadvi, 2010), logistic social responsibility (Carter and Jennings, 2002), purchasing social responsibility (Carter 2005) and sustainable supply chain management (Brockhaus et al., 2013; Carter and Easton, 2011; Gold et al., 2010; Seuring and Müller, 2008). Hence, the discussion on responsible supply chain governance has moved from merely acknowledging the need for it, to trying to understand the complexities associated with its successful execution. To the extent that there is not one single definition of CSR in the context of global supply chain management, we draw from Lindgreen et al. (2010) and Mueller et al. (2009), to define this as the continuum of social practices that reflect a firm's responsibilities towards the social and ecological environment in the firm's global supply chain (i.e. all the activities and associated information flows in the transformation of goods from the raw materials' stage through to the end user).

The concept of ‘governance’ is fundamental to an understanding of how global supply chains work in practice (Gereffi et al., 2005; Humphrey and Schmitz, 2001), and how firms manage the responsibility for suppliers' production conditions as part of their CSR strategies. Governance in global supply chains can be exercised in various ways, and there are many debates regarding the best way for companies to enforce the parameters under which others in the chain operate. Key product and process parameters can be set by buyers (as in buyer-driven chains), producers (as in producer-driven chains) or agents external to the chain such as government agencies, international organizations and Non-Governmental Organizations (NGOs) (Detomasi, 2007; Gereffi et al., 2001; Kaplinsky, 2000). Scholars have historically drawn insights from agency theory to understand these parameters. Agency theory (Jensen and Meckling, 1976), framed by the principal-agent relationship, presumes that a manager's obligation is to act in the interest of the ownership derived from economic investment. As investors seek to maximize economic gains, the individual’s decision and actions should be directed towards satisfying the investors. Nevertheless, agency theory’s central presumption that the principal-agent relationship can be exclusively governed through structures of control and economic incentives has undergone numerous criticisms (Alford and Naughton, 2002; Perrow, 1986) for being extremely instrumental and neglecting the incorporation of interests of a wider spectrum of stakeholders. Governance, therefore, is no longer seen as an economic instrument that only warrants the interests of shareholders, but rather it is seen (or at least proposed) as a mechanism to recognize and satisfy the interests of numerous stakeholders —

normatively or derivatively (Phillips, 2003)—connected to the functioning of a business. This is commonly referred to as stakeholder management under ‘stakeholder theory’ (Freeman, 1984); however, the concept of a firm's responsibility to stakeholders is complex, especially when stakeholders do not see themselves as connected or overlapping with a global firm's overall objectives (Freeman et al., 2004).

In this regard, scholars have recently begun to recommend collaboration-based supply chain governance models characterised by dialogue and cooperation between stakeholders as a more pragmatic solution to realise a sustainable/responsible global supply chain (Detomasi, 2007; Drake and Schlachter, 2008; Tencati and Zsolnai, 2009; Verwaal and Hesselmans, 2004; Vurro, et al., 2009; Weisband, 2009). The main intention of these models is to move beyond a mere financial bottom line approach to a systematic approach that genuinely appreciates the interests and requirements of different stakeholders. To the extent that they are able to do this, these models move closer to the "sustainability" of supply chain management, which include goals from all three dimensions of sustainable development, i.e. economic, environmental and social, derived from "customer and stakeholder requirements" (Seuring and Mueller, 2008, p. 1700). Although the shift from an agency theory perspective to sustainable supply chain management (rooted in cooperative governance) is an optimistic beginning towards incorporating the interests of multiple stakeholders in a global supply chain, the extent to which this works in practice is still questionable (Luetkenhorst, 2004; Prieto-Carrón et al., 2006).

Part of the practical challenge in governing global supply chain relationships is to ensure that each stakeholder has enough overlapping interests in generating value, and perceives an equal opportunity to satisfy their own self-interests (Sachs and Rühli, 2011). This is important so that stakeholders do not exit or use the process to expropriate value for themselves (Freeman et al., 2004). Although theoretically appealing, the practical feasibility of ‘creating shared value’ (Porter and Kramer, 2011) by creating firm value while also creating value for society in a global supply chain has several challenges that have limited empirical research along these lines. First, existing research focuses mainly on the global buyers overlooking the importance of considering the perspective of every stakeholder and their contextual embeddedness in the supply chain (Gereffi et al., 2005). This creates a challenge as the contextual structures of global supply chains do not easily allow one stakeholder to understand what another stakeholder in the chain is doing. Second, social and environmental value in the global supply chain has most often been defined by initiatives that survive in economic terms, ensuring the longevity of the quality of supplies for the purchasing company over and above the social and environmental needs of other stakeholders (Crane et al., 2014). Finally, while studies have promoted the disaggregation of global supply chains to consider cooperative approaches as the "strategic key to improve social responsibility" (Vurro et al., 2009, p.610) these theoretical approaches remain largely untested. In essence, while sustainable supply chain management research acknowledges the importance of managing multiple stakeholders along the global supply chain, there is still a need to understand the process by which this takes place, particularly in the realm of compliance with voluntary standards (Vurro et al., 2009) – the most widely used instrument for cooperative governance.

Voluntary Governance Mechanisms and Global Supply Chains

On April 24th 2013, a eight-story building named ‘Rana Plaza’, located in Savar, near Dhaka, Bangladesh, accommodating eight garment factories catering for celebrated garment brands, collapsed leading to the death of nearly 1120 workers and hospitalisation of around 1500 workers. According to reports, this incident was considered to be the worst industrial accident in South Asia since the 1984 disaster at the Union Carbide India Limited pesticide plant in

Bhopal, India, and the worst ever in the garment industry. Less than a year before, on 24th November 2012, nearly 112 people were killed in a similar incident in a garment factory located on the outskirts of Dhaka. In September 2012, more than 300 people were killed in two separate incidents of fire in a garment factory in Karachi and a shoe factory in Lahore, Pakistan. In July 2013, nearly six people died and numerous others suffered serious injuries, following the collapse of a two-storey garment factory located on the outskirts of Mumbai, India. Similar incidents were also recorded in the same area during April and June of the same year.[1]

Although these incidents and reports captured the world's attention by highlighting the existence of substandard working conditions in supplier facilities of global supply chains, thousands of separate, undocumented incidents continue to happen every year, and hundreds of thousands of workers in developing countries are being exposed to unsafe working conditions, low wages and long working hours (Balakrishnan, 2002; Carr and Chen, 2002; Islam and Deegan, 2008). Given that there is no solid framework of global justice (Cohen and Sabel, 2006), and that the regulatory frameworks of many developing countries are weak and not in alignment with their industrial growth (Djankov and Ramalho, 2009), private, voluntary governance mechanisms have surfaced as the primary means by which multinational corporations address social responsibility in supplier facilities (Mena & Palazzo, 2012; O'Rourke, 2006; Rasche, 2010).

Increasingly, multinationals are responding to the stakeholder expectations and pressures with voluntary governance mechanisms like *codes of conduct* and/or *social standards* to ensure their suppliers' compliance with demands for better social and environmental conditions (Beschorner and Müller, 2007; Jiang, 2009; Locke et al., 2007; Locke and Romis, 2007; Riisgaard, 2009). Codes of conduct are "written documents which attempt to state the major philosophical principles and articulate the values embraced by organisations" (Stevens, 2008, p. 601). They serve several functions, including indicating ethical parameters (Stevens, 2008), defining the responsibilities of the organization and the expected conduct of employees (Kaptein and Schwartz, 2008), and acting as instruments to enhance the social responsibility of the organization (Adam and Rachman-Moore, 2004). Codes are created and defined by organizations; for example, brands like Nike, Gap, and Adidas have their own corporate codes of conduct. Social standards, in contrast, are defined by non-business actors or third parties, and include multi-stakeholders in the whole process of their formulation, implementation and maintenance (Rasche, 2010). They are "voluntary predefined rules, procedures and methods to systematically assess, measure, audit and/or communicate the social and environmental behaviour and/or performance of firms" (Gilbert et al., 2010, p. 24). Examples of social standards are Social Accountability International (SAI); Fair Labour Association (FLA); Workers Rights Consortium (WRC); Clean Clothes Campaign (CCC); Ethical Trading Initiative (ETI), Waste and Resources Action Programme (WRAP); Business Social Compliance Initiative (BSCI), the Supplier Ethical Data Exchange (Sedex), and the Fair Wear Foundation (FWF). Most of these standards are based on ILO conventions and, they converge towards a common intent of labour welfare. For this paper, we collectively refer to codes and social standards as voluntary governance mechanisms.

Voluntary governance mechanisms, in general, are not legally binding. They do not demonstrate the characteristics of hard law (Abbott and Snidal, 2000). Neither do they constantly demonstrate the characteristics of soft law (Gilbert et al., 2010). Rather, they are used as a "set of actor, situation and time related prescriptions of how to reinforce identity, hierarchy and rationality" (Stigzelius and Mark-Herbert, 2009, p. 48). They evolve by adapting to different roles over time, and are enforced through sanction-based mechanisms (Perego and Kolk, 2012). Examples of studies on these initiatives include Ciliberti et al.'s (2008, 2009) studies on suppliers' experiences of SA 8000; Stigzelius and Mark-Herbert's

(2009) study on SA 8000 and Indian garment suppliers , and Locke et al.'s (2007) study on the influence of Nike's codes of conduct on its supplier factories.

Today, voluntary governance initiatives are a trademark tool (Rasche, 2010). Yet, despite sizeable increase in such efforts, research and recent accidents show that realisation of improved working conditions in global supply chains still remains conjectural. Some studies in particular, question the extent to which such initiatives can be an alternate to obligatory regulatory frameworks by exposing the gap between desirability of improving working conditions in supply chains in theory and the implementation of improved working conditions in numerous developing countries (Fulponi, 2006; Lund-Thomsen and Nadvi, 2010; Nadvi, 2008; Welford and Frost, 2006). This lack in implementation is the core reason why even genuine attempts by corporations to realise improved working conditions are seen as mere window dressings, smoke screens or symbols of protectionism (Amazeen, 2011; Fox, 2004; Palley, 2005).

There have been numerous attempts to understand why voluntary mechanisms fail, with primary focus on three components: (what) content, (how) assessment and (who) actors are involved in ensuring efficient and effective implementation. Nevertheless, as Locke et al. (2009) aver, such attempts are based on erroneous assumptions about drivers of compliance with voluntary regulations. More than commitment, resources and transparency, there is a lack of understanding about the actual functioning of global supply chains in today's global economy (Andersen and Skjoett-Larsen, 2009). This explains why voluntary governance mechanisms have failed to produce expected improvements in working conditions in most offshore facilities of global supply chains, notwithstanding the dedicated efforts of many multinationals.

With our focus on governance of working conditions in global supply chains, we endeavour to move beyond the view—dominant in supply chain studies—of developed country buyers' perspective (Ählström and Egels-Zandén, 2008; Baden et al., 2009). We shed light on the functioning of developing country suppliers and the complexities associated with governance in developing countries. In the following section, we identify the assumptions underlying the governance of working conditions in global supply chains—what we call 'conventional' governance—that drive most global buyers' CSR/supply chain activities.

Assumptions of 'Conventional' Governance in CSR/Supply Chain Activities

Conventionally, private voluntary governance mechanisms that multinationals use to remedy ethically questionable working conditions in global supply chains are imposed using a market-oriented governance model (Lim and Phillips, 2008).These mechanisms also share similar assumptions about how to bring compliance in global supply chains —in terms of 'the locus of power', 'basis for governance', and 'drivers of governance' (Locke et al., 2009).

The first assumption, *the locus of power*, is about the conception of the locus of control in global supply chain governance. In general, it is assumed that in 'buyer-driven' supply chains (Gereffi, 1994), buyers assume the 'lead role' in deciding what, how, when and how much product is to be produced—the key parameters of the chain of governance (Humphrey and Schmitz, 2001). In other words, in buyer-driven supply chains, buyers are assumed to have a better understanding of the market than the supplier; therefore, they hold the key processes and outsource the labour-intensive manufacturing activities to their suppliers (mainly located in developing countries). Such a notion signals the *upper-hand* that global buyers have in the governance of spatially dispersed components of their supply chain, which are normally not owned by them. This passage of governance has also been extended to a point where buyers define and control the process parameters in relation to labour (and environmental) standards in their supply chains (Gereffi et al., 2005).

The power of global buyers to decide and impose not just product and process parameters but their suppliers' position in the international division of labour, in general, stem from: 1) the "weakness of state" in developing nations, which creates a vacuum in the supply chain governance structure (Berik and Rodgers, 2010; Kolben, 2004; Nadvi, 2008); 2) the capacity of global buyers to exercise and organize resources from numerous state and non-state actors without depending on formal constitutional structures (Lund-Thomsen, 2008; Prieto-Carrón et al., 2006); and 3) the economic leverage of powerful global buyers that allow them to force dependent suppliers to comply with their standards for working conditions (Locke et al., 2009).

The second assumption, *basis for governance*, is about the role that factory-collected audit data play in the governance of working conditions in global supply chains. This assumption stems from a notion that factory audits performed by independent and third-party auditors provide accurate and important information about factory conditions that different stakeholders can use to bring guaranteed improvements in the working conditions. With respect to addressing the issue of poor working conditions, generally, such information is considered to be extremely vital by both watchdogs (to monitor sourcing activities of global buyers) and global buyers (to monitor and improve their suppliers stand with respect to improving working conditions) (O'Rourke, 2003). Because global buyers have leverage over their suppliers they use this information, as well as their high degree of control, to enforce their suppliers' compliance with labour standards. They incorporate these standards into their sourcing policies and use audit information to decide the key parameters of their chain governance (Frost and Burnett, 2007). Overall, according to this perspective, the information derived from factory audits is the best instrument to make global buyers include process parameters for improved working conditions among their critical parameters for supply chain governance.

The third assumption, *drivers of governance*, is about the motivations of supply chain participants to comply with demands for improved working conditions. In other words, it is about the question of what drives changes in the behaviour of global supply chains participants to affect change in workplace conditions. Locke et al. (2009, p. 325) based on Becker's (1968) seminal work 'Crime and Punishment: An Economic Approach' and theories such as 'deterrence theory' (Zagare, 2004) aver that compliance is driven by three variables namely: "the cost of complying with the demands of voluntary regulations", "the probability of getting caught for noncompliance", and "the size and nature of the penalty for noncompliance". As suppliers are dependants of powerful global buyers, they will often choose to comply with voluntary regulations in order to avoid losing the relationship with buyers and/or getting penalised through a reduction in orders.

Challenges to Assumptions of "Conventional Governance" and Voluntary Governance Mechanisms: A Stakeholder Theory Perspective

Stakeholder theory provides a good lens to evaluate the effectiveness of voluntary governance mechanisms in global supply chains, and assess the assumptions of "conventional governance". Managing for stakeholders involves paying attention to "the interests and well-being of those who can assist or hinder the achievement of the organization's objectives" (Phillips, 2003, p.16). Normative stakeholders, those to whom the organization has a direct obligation like employees, customers, suppliers and communities, are integral to implementation of voluntary governance mechanisms, while derivative stakeholders, like activists and the media, certainly play a role in highlighting the need for better working conditions. The success of voluntary governance mechanisms is therefore also contingent on effective stakeholder management in the supply chain. The cooperative paradigm of sustainable supply chain management reconciles well with many concepts of stakeholder management, particularly the idea that effective stakeholder management includes the importance of mutually beneficial policies (Post et al., 2002). However, the assumptions of conventional governance in global supply chain management do not easily reconcile to areas that are important to creating value for stakeholders, including the concepts of stakeholder utility, organizational justice and fairness (Harrison and Wicks, 2013), as we explain below.

The first assumption, buyers' locus of power, challenges the application of stakeholder theory within the domain of providing utility to each participating stakeholder in the supply chain. Stakeholder theory begins with the concept of effectively managing relationships between groups that have a stake in the activities of a business (Freeman, 1984; Jones, 1995). Recent work in this area has highlighted the need for companies to understand the motivation of stakeholders to cooperate in value-creating activities for the firm (Harrison and Wicks, 2013). Understanding the value that firms are creating from the perspective of stakeholders is a first step in understanding the utility that stakeholders seek in a relationship (Harrison, et al., 2010; Harrison and Wicks, 2013). Managing supplier relationships with all the power on the buyers' end means that the tangible benefits associated with the products and services of the firm is determined exclusively at the buyer level. While this provides for greater control, especially under voluntary compliance, the system breaks down when suppliers manipulate the system for more justice—a slice of the pie, so to speak. Organizational justice is important to value creation in the eyes of the stakeholder; when it is perceived to be unfair, stakeholders will search for better opportunities (Barney, 2010). In the context of developing countries, firm-level organizational justice is often an elusive element, especially for suppliers in the subcontracting stage (Akorsu and Cooke, 2011). Perceptions of failures in distributive justice, most closely aligned with economic factors, can be particularly disturbing to stakeholders' perceptions of the amount of utility that they see as favourable (Harrison and

Wicks, 2013). Hence, with all the power on the buyers' end, there is a greater likelihood of a systems failure in voluntary compliance.

The second assumption of conventional supply chain governance is that the information gathered by buyers affords them control to enforce their suppliers' voluntary compliance. Once again, while this assumption may be viable under an agency-theoretic model, it has the potential to break down in developing countries and stakeholder theory applications. First, there is evidence to suggest that managers who gather such information are constrained by resource issues leading to the inability to find diligent audit and inspection staff for information gathering and reporting (Welford and Frost, 2006). Second, suppliers are subject to transaction uncertainties, which, when accompanied by information asymmetry, can pose a significant risk to the viability of their businesses and tempt them to game the system to cover their risks (Amaeshi et al., 2008). For instance, they may become involved in corruption (Azmat and Samaratunge, 2009) or conceal irresponsible practices via window-dressing practices to escape monetary and/or trade penalisations from government and/or buyers (Amazeen, 2011). These activities can distort the perceptions of other stakeholders in the supply chain who are assessing the distribution of value across the spectrum of participants, leading to perceptions of unfairness and injustice.

Finally, regarding the third assumption, penalties and rewards as the basis for governance and compliance may also be challenged with multiple actors across the supply chain spectrum. Stakeholder theory maintains that participants must be motivated to cooperate in the value creating activities of the firm (Freeman et al., 2007). However, research has shown that punishments in the form of public rebuke and loss of reputation do not translate equally across supplier relationships, contributing to patchy success in voluntary initiatives like ethical sourcing (Roberts, 2003). Measurement and reward systems for volunteer mechanisms across global supply chains are also difficult to track, enforce and administer. For example, multi-stakeholder codes of conduct for sustainability initiatives have proved difficult to administer, as different stakeholders seek different types of legitimacy (Mele and Schepers, 2013). In sum, the assumptions of conventional, private governance through voluntary governance mechanisms are challenged under modern stakeholder theory and its applications to suppliers and subcontractors in developing countries. These assumptions are summarized in Table 1.

Insert Table 1 About Here

Given these assumptions, we use a process model approach (Bower, 1970; Pentland, 1999) to show where in the process factors arise that disturb the 'conventional governance' assumptions. The process-model approach developed by Bower (1970) helps to illustrate simultaneous as well as sequential activities. Process models describe the temporal development of a process, enabling the categorization of interplays between different forces and relationships (Burgelman, 1994). They also help to make the narrative process more convenient by offering an account of the development activities and problems in a series of stages (Burgelman, 1983). This approach is helpful to understanding the intricacies of the different stages of the governance process - related to working conditions - along the whole global supply chain.

Methodology

Qualitative research seeks to understand as many aspects as possible of a phenomena or phenomenon through a rigorous in-depth study (Creswell, 2009; Easterby-Smith et al., 2012). Qualitative research pursues meaning—rather than generalization—and attempts to enhance and develop theory by observing all possible aspects of a phenomenon. As such, we adopted a qualitative field study to explore and understand the intricacies of the governance structure in global supply chains and develop theoretical insights relevant to the practice and management of voluntary governance mechanisms in this setting. Following a blended inductive/deductive approach (Graebner et al., 2010), we drew insight from our literature review before gathering our data (Bitektine, 2008; Yin, 2003); therefore, ideas about voluntary governance mechanisms and their challenges in CSR/global supply chain management under "conventional governance assumptions" were evident in some of data collection efforts. Consequently, the study began with a conceptual framework (Table 1) derived from a detailed literature review. The iterative process of merging theory and data led to our process model and framework for understanding the dynamics behind the use of voluntary governance mechanisms in global supply chains.

We focussed on the garment sector in developing nations, and specifically the Indian garment sector, for this study. It provides rich context for analyzing, understanding and suggesting developmental policies for improving working conditions (Moran, 2002; Nadvi et al., 2004). Trade activities associated with the garment sector are strongly linked to the positive economic performance of developing nations - it is one of the sectors that has the ability to provide a doorway allowing both developing and underdeveloped nations to enter the global markets; additionally, it provides employment opportunities to significant numbers of people in those parts of the world (Gereffi, 1999; Teng and Jaramillo, 2005). Yet, although the garment sector contributes significantly to the employment and economic growth of the developing world, it is often criticized for housing ethically questionable labour practices. Despite universal acknowledgement that the global garment industry is the epitome of scandalous labour conditions, a persistent and recurring pattern of preventable fire and building collapse incidents, as well as child labour and health and safety hazards in the global garment industry continues to unravel (Lu, 2013). As such, the garment sector in developing nations remains the appropriate research context for numerous studies that seek to analyse, understand and suggest developmental policies for improving working conditions in global production networks.

Data were collected in Tirupur, India – one of the major knitwear exporting clusters in India. This cluster is involved in manufacturing gents and ladies T-shirts, sweatshirts, tracksuits, sportswear, children’s wear, undergarments and embroidery items; it is currently serving numerous global garment brands and retail chains. According to the Indian Ministry of Textiles report (2012), the Tirupur cluster accounts for about 50% of total knitwear garment exports from India. Of this, 55% is exported to the EU, 35% to the USA and the remaining 10% to the Middle East, Australia and South America.

The data collection process began with a pilot field study, which was then followed by an expanded field study. The pilot study was conducted in India over two months, and provided the opportunity to make amendments and improvements in the main data collection process (Locke et al., 2007), which took place over the following six months. Access to participants was obtained using personal networks in the textile industry, contacts at several NGOs and referrals from interviewees in a snowball sampling technique (Patton, 2002). The initial pilot study included two subcontractors, three workers and one buying agent; however, six types of participants were eventually included for the main study, namely: workers, subcontractors, trade union leaders, buying agents, CSR officers/auditors and NGO representatives. These respondents were selected based upon four criteria: 1) their level of involvement and relevance to the research context (i.e. knitwear garment manufacturing sector in Tirupur, India); 2) their level of awareness related to various aspects of working conditions in the research context; 3) practical accessibility; and 4) their unreserved willingness to take part in the research process. This is in keeping with prior research on global supply chains that has suggested the importance of obtaining the perspective of a full array of actors in the chain (Brockhaus et al., 2013). Including the initial pilot study, a total of

54 in-depth, semi-structured interviews were conducted with 10 subcontractors, 26 workers, six buying agents, two trade union leaders, three active NGO representatives dealing with garment sector in Tirupur, and seven CSR officers of high street global clothing brands supplied by this region.

Our interviews were conducted in-person as well as by phone, and began with questions about each participant's background and then moved on to questions that fostered open dialogue about each participant's experience with working conditions and voluntary governance mechanisms. Open-ended questions focussed on: the nature of specific voluntary governance mechanisms that they prescribed to; their reasons for compliance; their experience with the implementation of voluntary mechanisms; issues or challenges in implementation; and recommendations for improvement. While interviewing, careful consideration was given to avoid any bias and ensure that the interview questions would not affect the responses. Instead of complete questions, a range of spontaneous probing questions were used as an intervention technique in open-ended dialogue (Yin, 2003), beginning with questions like ‘why?’, ‘how?’ and ‘what?’ in an attempt to expand upon respondents’ answers. During the interview process, the interview guide was often amended and questions were modified in order to elicit unhesitant and dissimilar responses. Although the interview questions were often revised and updated based upon the spontaneous outcomes which emerged during the fieldwork, a basic skeleton was maintained throughout the interview process in order not to deviate from the research intentions (interview guide available upon request). The interviews were recorded using a digital audio recorder. The duration of each audio recording ranged between 30 and 100 minutes. The number of interviews was not anticipated or pre-defined. The interview process ended once a point of saturation had been reached and answers or ideas had become repetitive (Lindgreen et al., 2010; Strauss and

Corbin, 1998). The recording process was then followed by the transcribing process for analysing (see below), resulting in over 500 pages of transcript.

In addition to the interviews, additional information was provided by non-participant observations and informal conversations with workers during several half-day visits to different factories. In an iterative process, both before each interview and during the field study factory visits, we reviewed documents and databases that provided information about working conditions and global supply chain practices in India. These included the International Labour Organization database of labour statistics (ILOSTAT), NORMLEX and NATLEX, Indian labour regulations, the Indian Ministry of Textiles annual report, the Tirupur district administration report, the Tirupur Export Association's (TEA) report, and regional and local press releases. This investigation allowed us to triangulate the information provided to us in interviews and observations.

Data Analysis

We analyzed the interviews using Braun and Clarke's (2006) theoretical thematic data analysis method, which is appropriate for blended inductive/deductive analysis (Graebner et al., 2010). The theoretical thematic analysis method is both theory and analyst-driven; the data analysis goes beyond the surface-level content of the data with an attempt to "identify or examine *underlying* ideas, assumptions and conceptualisations—and ideologies—that are theorised as shaping or informing the semantic content of the data" (Braun and Clarke, 2006, p. 84).

While the data collected through interviews, non-participant observations, documents and informal conversations together formed the data corpus, interview data were first used to develop themes i.e. "something important about the data in relation to the research question, which (*sic*) represents some level of patterned response or meaning within the data set"

(Braun & Clarke, 2006, p. 82). Data collected through other techniques were later used to substantiate and reinforce the developed themes, and to develop an understanding of the context under research.

Interview transcripts and other data were actively read many times in order to gain familiarity with the breadth and depth of their content. Themes were identified surrounding the range of responses. Having familiarised ourselves with the entire data corpus, we assessed the data utilizing our prior theoretical premise (Laughlin, 1995), surrounding assumptions of voluntary governance mechanisms, and the stages of garment production process in a global supply chain. For analytical purposes, we limited the number of stages in the global production process to three (Figure 1)—namely, stage 1, stage 2, and stage 3 and beyond—denoting the origin of the production process, the intermediary stage and the subcontracting stage, in that order. We then developed a three by three matrix, with the three stages along the y-axis and the three conventional governance assumptions along the x-axis (Table 2). The intersection of these three x-axis and three y-axis elements generated nine different potential themes of analysis (as illustrated in Table 2) mapped onto the conventional governance assumptions of locus of power, information basis of governance, and reward/penalties for governance across different stages of the global production process. We then manually searched for the appropriate data extracts (i.e. "…an individual coded chunk of data" (Braun & Clarke, 2006, p. 79)) that signalled the essence of each theme and mapped the nine empty cells (i.e. themes) of the matrix with relevant data extracts. This matrix allowed us to see the whole process of the imposition of voluntary governance mechanisms at stage 1, its mediation/breakdown initiation in stage 2, its complete breakdown in stage 3 and the factors that come into play for its eventual breakdown.

Potential themes were then assessed against Patton's (2002) two criteria for judging categories: internal homogeneity (whether they were made up of coherent data) and external heterogeneity (whether there was a clear distinction between every potential theme). Based on Braun and Clarke's (2006) suggestions, internal homogeneity was obtained by multiple re-reading of the potential themes to check for coherence in data extracts. Unique data extracts were then removed completely or added to a suitable theme. External heterogeneity was then obtained by re-reading all the themes to check for their uniqueness as a whole. The entire data corpus was then re-read again in order to check for existence of any additional data that could be collated with the existing theme(s). The collated data extracts under each theme were then re-organised in such a way as to generate a coherent story as to the assumptions of voluntary governance mechanisms and how they might break down in the global supply chain. Care was taken to adhere to requirements of validity and reliability through practices such as independent interpretation of data and findings by authors, data-triangulation (as mentioned) and discussion of findings with several respondents.

The data analysis produced a large amount of data extracts for each theme. However, only those vivid extracts that illustrate the presented constructs were selected to be displayed in the empirical discussions. Moreover, while presenting the data extracts, in an effort to preserve anonymity, every participant was distinctively labelled by means of a combination of numbers and/or letters[2].

Findings

In the manner of a process study, our findings are organized according to the stages of the global production process and the ways conventional governance worked (or did not work) within each stage. The comparative analysis of the different stages in a global supply chains allowed the development of a stage model that illustrates the progression of stages and their activities. Within each stage, we link back to theory and our assumptions of governance in an iterative process. It is only for illustrative purposes that we organise the findings across different stages. These stages are presented as being distinct and easily separable, which is no more than an approximation, as they are in fact interrelated.

Insert Figure 1 About Here

Stage One – Prevalence of Conventional Governance Assumptions

Stage One in the global production process is where developing country global retail brands or buyers reside. The buyers make the decisions regarding what is to be produced and how it is to be produced at this stage. These include process parameters concerning labour and environmental standards. Buyers refer to these process parameters in the form of standards or certifications as an obligatory requirement for suppliers who seek to be a part of the supply chain, as one of the CSR officers of a famous global brand explained:

> *Basically, our role is to verify and approve the places where our products are made. Before placing any orders, we visit the factory. We see if the company that seeks to manufacture our products is capable of manufacturing with minimum impact on the environment and the people. There are some minimum set of parameters they should adhere to. For example, if they have their dying unit, they should have a zero discharge system. If they have a garment division, basically, we think about few parameters such as minimum age, minimum wages, minimum health and safety compliance and you know there should not be labour harassment kind of things. So, we will assess and grade the factory. Only after we approve the factory, they can talk business. We will offer business to manufacturers only if they adhere to our basic set of ethical parameters.* (CSR officer, CSR1).

At this stage, with perceived power, buyers usually impose these parameters without consulting any of their suppliers or without clearly specifying or helping out their suppliers on how particular parameters can be implemented. For instance, one subcontractor explained why he obtained a social standard certification as follows: *They [buyers] demand for these* *standards. These things are good for workers and common people. But, we face a lot of problems in practice... They do not offer any support to implement them. We do everything for them only to attract and retain them (Subcontractor, SI).* By taking such a stance, buyers signal that they are powerful actors in the supply chain and that they can use their political and economic strength, relative to their suppliers, to govern the process parameters in their supply chains irrespective of proximity. These findings illustrate that governance over voluntary mechanisms are buyer-driven, thus confirming the first conventional assumption highlighted in the literature review.

In general, the majority of subcontractors enforce at least one social standard, and these standards are managed by different organizations. In addition, there are many independent agencies and NGOs, which offer factory auditing and reporting services to the global buyers on codes of conduct and other such mechanisms. Buyers employ such organizations or agencies to monitor the maintenance of the imposed governance mechanisms in their supplier factories. Again, this was confirmed by one subcontractor, who explained:

> *External agencies perform the auditing process. They [external agencies] are like their [buyers] own agencies. They visit us to check whether we are doing everything according to the specifics. They perform their work and get paid similar to how we get paid by the buyers. So, like us, they also work for the buyers. Instead of believing in us, buyers are recruiting some external agency to monitor us. As they get paid by the buyers, they always support them.* (Subcontractor, SC).

Our data showed that global buyers rely on data collected through factory audits performed by independent agencies or third-party auditors as the basis for governing working conditions in their supplier factories, thus confirming the second conventional assumption.

Further, the findings also showed that subcontractors who did not attempt to conform to the parameters imposed by voluntary initiatives faced reduction in production orders or complete exclusion from the contract, as one subcontractor said: *See I'm supplying to the brand X for long time. Suddenly one day they asked me to go for these certifications. I asked for some time. They gave me 4-6 months. Until then they docked my orders. They also told me that, if I fail to obtain it within 6 months, they would have to stop placing any orders (Subcontractor, SJ).* Concurringly, almost every respondent agreed that conformance to voluntary standards or certifications are used as a standardised differentiation process measure for the supplier selection process, rather than as a tool to bring about improved working conditions in supplier facilities. Our data therefore confirmed the third conventional assumption that buyers use penalties to drive suppliers' compliance to their demands.

In sum, our Stage One evidence pointed to the fact that the voluntary governance mechanisms that developed country buyers use to improve working conditions in their supply chains follow conventional governance assumptions of buyer power, third-party information reliability and rewards/penalties for noncompliance. However, as findings in Stage Two and Stage Three illustrate, as the web of stakeholder management grows, these assumptions begin to break down, challenging the norms of conventional governance and perceptions of control by global retail or brand buyers (see Table 2 for additional supportive interview quotes).

Insert Table 2 About Here

Stage Two – Initiation of a Breakdown of Voluntary Governance Mechanisms

After finalising the product and process parameters, global buyers approach the Stage Two actors—large exporters or agents (locally referred to as buying agents)—in a developing country region to process production orders. For buyers, more than external auditors, the actors in Stage Two act as the main point of contact in the developing countries. It is only through these actors that the specified parameters are disseminated to subcontractors in Stage

Three and beyond. They are contracted to balance the proximity and physical absence of developed country buyers; therefore, the majority of control in the selection and organization of developing country subcontractors is actually with Stage Two actors. For example, one buying agent described his role as follows:

> *…buyers place their orders to us and, through us, they are awarded to the suppliers. We source fabrics and accessories for our existing suppliers. We mediate everything, including the payments. We also provide services such as quality control, sourcing new fabrics, sourcing new prints, accessories and so on. When the order is placed, we take care of all of the approval procedures, inline inspections, testing and final inspections until the customers accept the goods. We are the eyes of our customers.* (Buying agent, BA1).

Thus, it is evident that the dilution of global buyers' control begins at this stage, due to their distal proximity and the relative control of buying agents and large suppliers located within the developing country.

Additionally, our data indicated that the nature of the relationship between Stage One and Stage Two actors is very different than those further down the supply chain. The relationship between the Stage One actors and the Stage Two actors is contract-based, whereas the nature of the relationship between the Stage Two actors and those beyond Stage Three is not contract-based. Rather, the actors are connected through mutual trust, as one buying-agent explained: *We trust each other. Contracts do not work between us. This is how we have been working in Tirupur for long time. So far I have not encountered any problems because of this system* (Buying agent, BA 2). As a result, Stage Two actors tend to adopt the subcontractors' perspective that the demands imposed by global buyers are unfair. As one buying agent said: *Buyers sometimes do not understand the local complexities. All they care for is timely delivery and best quality… Sending by ship is the most affordable option. They* *cannot afford to send by air. So, these [subcontracting] factories will do anything to meet these requirements….* (Buying agent, BA2). Our respondents also admitted that to safeguard themselves from penalisations for compliance violations, at times, Stage Two actors will even fail to explicitly declare most of their Stage Three subcontractors to their customers (i.e. global buyers). Thus, our data evidenced that Stage Two actors often do not depend, or even utilize information collected through third party auditors or independent agencies as the means to govern their suppliers. Instead, they work outside of the scope of this information, using knowledge gained from the Stage Three actors themselves.

Although in principle Stage Two actors work for both global buyers and subcontractors; in fact, they belong to the realm of subcontractors and so, they are usually biased. This provides scope for subcontractors to gain the sympathy of Stage Two actors and acquire some leeway concerning the maintenance of working conditions, as one subcontractor emphasised: *They [buying agents] don't ask us to do this and that. All they need is quality, on-time delivery and 5% commission. They do not trouble us for anything else. We have a mutual understanding* (Subcontractor, SF). Nevertheless, although Stage Two actors tend to help the subcontractors, they depend on the global buyers for business. Therefore, they are less lenient with some process parameters, especially with those related to quality and delivery. Therefore, even though the Stage Two actors refer to themselves as the eyes of buyers, they are, in fact, lenient and provide a route to the subcontractors to avoid the responsibility of maintaining proper working conditions.

At this stage, while penalties and rewards may play a role in governance from the global buyers' CSR perspective, our findings suggested that both buyers' demands and local institutional factors/resource availability combine to influence the decisions of the Stage Two actors. Stage Two dilution of global buyer's power shows that conventional governance of voluntary regulations begins to break down as suppliers and buying agents are not motivated to cooperate with these mechanisms under the global buyer, beyond processing orders of acceptable quality in a timely manner. As predicted by value creation in stakeholder theory (Harrison and Wicks, 2013), the motivations of agents in Stage Two are not specific to the value-creating activities of the global buyer and they fail to see the utility in enforcing voluntary governance initiatives in the wake of perceptions of unfairness. Rather, they tend to see more value in protecting Stage Three actors. Stage Two actors, more distanced from such initiatives, begin to search for opportunities to protect their own self-interests and those of their immediate Stage Three stakeholders (see Table 2 for additional supportive interview quotes).

Stage Three and Beyond – The Breakdown of Voluntary Governance Mechanisms

The firms in the Stage Three and beyond are in rural regions where the knitwear garments are manufactured. Stage Two actors (i.e. large exporters or buying agents) are tangible customers for these subcontractors, and most of them are not even aware of their actual global buyers and their expectations. More often these subcontractors become the ‘hidden hands in the making’ of valuable garments. When asked about it, one CSR officer described the situation as follows: *these firms are like hidden in the supply chain, and it is impossible to monitor what is happening at these levels* (CSR officer, CSR1). Because of their distancefrom global buyers, these subcontractors control the majority of everyday factory activities, as one subcontractor confirmed: *everything has to go through me. So, I know what to do and when to do it. The workers and buyers will keep asking for this and that. But, it is up to me* (Subcontractor, SI).

The cutting, sewing, checking and packing processes are performed in these firms; all other production processes are subcontracted to private specialist firms. Therefore, these firms are in a relatively more critical situation as they need to constantly maintain a high level of coordination between the different processes in order to successfully comply with the product delivery deadlines and avoid any penalties being imposed on them. One worker explained the situation as follows: *It is very risky. Every process is based on the others: be it fabric, sewing or tailoring. If they [the associated firms] are hit by sickness or have any other problem, the whole production will halt. We have to wait until they restart their operations. All our days are plagued by tension, you know…* (Worker, W22). Any minor delay in any of the processes will eventually lead to a delay in delivery. In order to facilitate such shipments, firms need to dispatch products swiftly by plane instead of ship. These subcontracting firms are small and have limited access to financial resources. They primarily depend on short-term and long-term loans from banks and private financial intuitions in order to process the production orders, pay salaries to their workers and operate their factories with no interruption. Moreover, they largely depend on the intermediaries (i.e. Stage Two actors) for production orders, and consequently they tend to earn relatively fewer profits. Needless to say, sending goods by air is an unaffordable option for these financially deprived firms. Firms tend to concentrate on meeting delivery deadlines and quality requirements rather than on maintaining working conditions. For these small subcontractors, the voluntary governance initiatives are disproportionately expensive, requiring a major resource commitment relative to larger organizations. They often do not possess the necessary capability to adapt to these standards. They lack the infrastructure, technology, finance, skills and resources to implement expensive initiatives as, one buying agent said:

> *Subcontractors definitely cannot afford to do these things [maintaining standard working conditions]. If a factory has at least around 500 seats, they can organise in such ways, but not small factories. These people are doing business in order to earn at least 10% margin. If they don't even earn that margin, what can they really do? They have to run their factory and family as well.* (Buying agent, BA1).

And so, these subcontractors do not passively adopt the imposed demands. They interpret, create, and impose voluntary mechanisms based on their own assumptions and expectations. As one of the subcontractors affirmed, *what do they [buyers] know? We are watching them [workers] every day. We know everything about them [workers]. They [buyers] should understand the situation before demanding for anything* (Subcontractor, SD). They perceive most compliance mechanisms as: 1) *too expensive* - as they need to spend their own money to implement these mechanisms and that they do not receive any support from the buyers; 2) *requiring too much documentation* – as they need to perform the activities of maintaining the records and that according to them it is not their responsibility; 3) *mandating too much control* – as they feel that these mechanisms impose a vast amount of control in ways to challenge their identity; and 4) *compromising trust* - because of the third-party monitoring, the owner-managers feel that their buyers do not trust them. These findings illustrate the shift of control to subcontractors, thus confirming the breakdown of the first conventional assumption highlighted in the literature.

Even with such a cynical view, many Stage Three subcontractors attempt to obtain standards or certifications for their factories. Two reasons surfaced in our data collection from these informants: ‘pressure from buyers’ and ‘more business opportunity’. For example, when queried about the reason behind obtaining a social standard, one subcontractor explained: *If we want to get some orders, we have to implement them. In one way buyers are forcing us to do certain things. So, we have to implement them to attract them* (Subcontractor, SA). Not surprisingly, not a single interviewee expressed concerns for ‘better working conditions’ or ‘sustainable supply chain’ as a reason for compliance to voluntary mechanisms. For these subcontractors, such mechanisms represent merely a system to maintain records and a licence to trade or a window for more business opportunities or a medium to gain competitive advantage.

Although several subcontractors appeared to obtain voluntary standards and certifications, the data demonstrated that they are also involved in ethically questionable practices such as bribing the government authorities, double bookkeeping, having multiple units under different names, and preparing the factories and workers for inspections to obtain/maintain certifications in the short-term, but not the long term. As one subcontractor illustrated: *We produce false documents. Everyone knows it is happening. Even the government knows it is happening. But, it is easy to get away with it* (Subcontractor, SB). Nevertheless, even though the government and the auditors were noted by our respondents to be aware of such acts, they were also said to be quite relaxed about such acts. As noted by one CSR officer: *Even we know that completely complying with every standard is practically impossible for them. So, all we ask for is minimum compliance. In my opinion, the parameters per se are not right. It is very difficult for them...very difficult* (CSR officer, CSR1). Consequently, information collected about these subcontractors through factory audits performed by independent and third-party auditors are often based on flawed, surface-level and inconsistent observations. For these reasons, the majority of interview respondents expressed that voluntary governance mechanisms currently in place are inefficient. For example, one of the trade union leaders TU2 criticised the credibility of such mechanisms because of the dependence on documents rather than everyday observations. He also highlighted that these documents can be easily doctored in Tirupur: *The records are fabricated and that social compliance auditing is based on such fabricated records, which makes it ineffective* (Trade Union leader: TU2). A NGO representative also shares a similar opinion about social standards, and according to him, *the documents can be easily bought. These standards cannot be effective until they [social auditors] start monitoring them [firms] everyday, which is however impossible* (NGO representative, NGO1). As a result, an unclear boundary appeared to exist between compliance and noncompliance. Thus, our findings illustrate that the data collected through factory audits performed by independent agencies or third-party auditors are manipulated or fabricated and provide buyers with false information for governance, thus confirming the breakdown of the second conventional assumption.

Our data confirmed that buyers' pressure for timely production was the core reason why subcontractors are often involved in such ethically questionable actions, even when they did not have the intention to do anything unethical. As one subcontractor explained:

> *I try to provide them [workers] with whatever I can. But, at the end, even we have to survive right? We are not provided with good rates; still high quality and on-time delivery are expected from us…we don't have any support from the government or buyers. You tell me what you would do my situation* (Subcontractor, SD).

The majority of subcontractors interviewed said that they did not receive any support from the global buyers in obtaining or maintaining standards or certification. For example, one subcontractor said: *Buyers do not support. They say that, they will give us continuous volume orders and we need to have certifications to get such orders. They do not support us in anyways (Subcontractor, SC).* The interview quotes also illustrate that buyers are concerned more about the face value of the voluntary compliance to market their products as socially responsible and not really committed towards helping their suppliers to actually implement them. For example, one NGO representative said: *everything is business you see. Everyone needs money. No buyers want to do anything to improve the working environment or Tirupur. All these [standards] are gimmick (NGO representative, NGO2).* Neither did they receive any support from trade unions, NGOs or export associations. Respondants described Tirupur trade union representatives as 'egocentrics', 'self-centred' and/or 'politicised', often taking advantage of worker vulnerability. For example, one worker noted:

> *I think unions are unnecessary in Tirupur... If a worker approaches a union for help, they charge that worker with solving the issue. They are more interested in what*

benefits they can gain from us than in what they can offer us. When we approach them for any help, the first question they ask us is how much [money] we are willing to pay (Worker, W8).

The only form of support these subcontractors receive is the peer support from similar subcontractors. Even under these conditions, they still do not intend to lose their business for non-conformance. Therefore, in order to fill their capability-gaps to secure their business, they are forced to become involved in ethically questionable practices. The buyers' usage of insensitive penalties to drive suppliers' compliance created a platform for their non-conformance or superficial conformance, thus resulting in the breakdown of the third conventional assumption.

In sum, subcontractors in Stage Three described conditions of loss of power, poor information, failure of trust, high costs for compliance and the absence of rewards (or even penalties), as contributing factors to a lack of governance at this stage in the supply chain. Beyond the lack of overarching control, the breakdown of voluntary governance mechanisms can be linked to overall poor stakeholder management to the primary stakeholders in the chain, and particularly, the failure of suppliers along the chain to 'buy-in' to the overall value-creating function of the global firm. There is no motivation for participants along the global supply chain to cooperate with voluntary governance mechanisms. There is little sense of utility or even fairness that might promote shared norms and values along the supply chain under a cooperation-based paradigm. (See Table 2 for additional supportive interview quotes).

Discussion

We began this study by theoretically and empirically investigating the assumptions of voluntary governance mechanisms in the global supply chain process and how they break down in the context of governing working conditions in developing country supplier facilities. Our findings suggest that the implementation of CSR/SCM strategies do not operate well in practice in developing countries, and they will continue to fail without significant modifications to the processes by which voluntary governance mechanisms are promoted and used along the global supply chain. We found that global supply chains in developing countries like India may be challenged to effectively use voluntary governance mechanisms because the locus of power, control, use of information and penalties/rewards for non-compliance/compliance break down along the supply chain with the dilution of buyer power. These practices challenge the concept of effective stakeholder management, which relies upon providing each stakeholder the perception of utility maximization and shared value.

Some have categorized the failure of voluntary governance mechanisms as a general limitation of the ‘cooperation-based paradigm’ of CSR in global supply chains, which attempts to rectify the shortcomings of compliance-based programs (Lund-Thomsen and Lindgreen, 2013). While we agree that there are limitations to the cooperation-based paradigm, we see that the concept of cooperation may work better in conjunction with global buyers understanding, promoting and providing stakeholder utility (Freeman et al., 2007; Harrison and Wicks, 2013) along the global supply chain. Stakeholder theory is normative in its argument that stakeholder value maximization begins with each participant, whose claims should be considered in the integrative, complex nature of business. The primary managerial mindset under stakeholder theory is one of cooperation, rather than conflict (Harrison and Wicks, 2013). For global buyers, developing a better ‘mindset for managing stakeholders’ and broadening their scope of business to develop a "notion of purpose" (Wicks et al., 2012, p. 384) might unite participants at all stages of the production process to the larger objective of creating value that each stakeholder wants and demands. In the context of our study, this would mean creating a platform of incentives (and penalties) that remain under the watchful eye of the global buyer, but that allow for information gathering at multiple levels. It would also require global buyers to acknowledge and align subcontractors along the chain in order to develop more trust over time. It would also require reforming objectives to include more focus on process, in conjunction with outcomes, so that the pressures of production efficiencies and quality along the chain do not compete with the intentions, costs and pressures of voluntary governance mechanisms.

In this way, the concept of stakeholder utility complements the cooperative paradigm and allows companies to move beyond vague "CSR responsibilities" to the set of CSR social strategies that are important to sustainable global supply chain management (Lindgreen et.al, 2010). Global buyers' adoption of a "managing for stakeholders mindset" (Wicks et al., 2012) will allow participants to see business decisions in the global supply chain as integrative. Issues of power, justice and fairness that were identified in our breakdown of voluntary governance mechanisms may be addressed by global buyers in the "generalized exchange" of multiple actors that are involved in the transactions of relational value chains (Ekeh, 1974; Harrison et al., 2010). And while there may be some "rhetoric" surrounding the ability of large corporations to engage in close cooperation across many suppliers (Lund-Thomsen and Lindgreen, 2013), the promotion of a stakeholder utility perspective from the global buyers' side may, in fact, alter suppliers' perceptions of CSR. This would align with research that shows that shared mental models are important to the success of interconnected businesses (Werhane, 2002, 2008).

Implications

Our findings offer import for theory relating to CSR and stakeholder theories in global supply chain management. Often, CSR in supply chain management is coined as an umbrella for ‘best practices’ or good risk management in the debate about whether there is a business case for CSR (Roberts, 2003). It is also often intermingled with concepts of stakeholder management, despite the fact that CSR theory, as a whole, does not address concepts of value creation and trade (Parmar et al., 2010), which is central to supply chain management. Our study helps to delineate between the two. Best practices for SCM management is not just about adopting 'good' CSR practices along all of its dimensions—environmental, diversity, human rights, product quality, safety, philanthropy—rather, it is about the social obligations of businesses in conjunction with practicing effective stakeholder management within the supply chain. This requires some modifications to the basic assumptions of conventional supply chain governance, with a need to provide subcontractors the opportunity to perceive utility along the value chain. As such, our study shows that stakeholder management is distinctive from the normative elements of CSR; it captures the instrumental elements of value creation, while also making a normative case for the inclusion of all stakeholder claims in the governance of global supply chains.

The findings of this study offer practical insights for managing a sustainable supply chain. First, our findings demonstrate the problems associated with adopting a conventional 'adversarial' or 'arms-length' approach (Humphreys et al., 2001; Petison and Johri, 2008) towards supply chain governance. Relying purely on economic motives for selecting and maintaining supplier relationships does not sufficiently support the implementation of sustainability goals (Lim and Phillips, 2008). Therefore, powerful and resourceful global buyers must attempt to change the nature of their relationship with their suppliers by moving beyond this established arms-length relationship towards a closer one underpinned by commitment and mutual trust. Mutual trust is a significant factor in deciding the transaction cost (Chiles and McMackin, 1996). If a business is not based on mutual trust, then parties involved have to spend a huge amount of resources to develop and retain the trust, if not, they might become involved in ethically questionable behaviours to demonstrate at least a superficial one. Our findings indicate that, global buyers' reliance on standard complianceoriented measures, reports, audits and evaluations to induce the element of mutual trust in the supply chain, in practice, does not result in the expected outcome. So, rather than policing and exploiting their suppliers' vulnerability, global buyers should get involved in cooperative development along with their suppliers and create a notion of shared responsibility.

Second, the notion of shared responsibility is difficult to achieve when the associated incentives are misaligned (Lund-Thomsen and Lindgreen, 2013). Therefore, beyond just providing incentives and support in the form of financial sustenance, changes in price structures and increases in turnaround times, global buyers should possibly facilitate their resource deprived suppliers' involvement in sustainable practices through mutual respect, information sharing, mentoring, coaching and showing a willingness to share risks. This, in turn, could provide suppliers with an economically sustainable scope to both balance trade and avoid ethically questionable practices and see the value in socially responsible practices, eventually leading to concrete benefits, such as an increase in the level of compliance, a reduction in monitoring costs and a venture to generate more solid sustainable buyer-supplier relationships. While this study does not offer evidence for such an approach, the extant evidence shows that many international companies including Nike and C & A are shifting towards and celebrating the benefits of this approach.

Limitations and Future Research Directions

Although the selected qualitative research strategy generated a rich and in-depth data pool, the study's focus on a particular region and on a particular sector may create potential limitations with regards to generalizability of the findings across other sectoral and geographical contexts. In addition, the sample size is also small, and may not be considered representative of the entire India or developing country region. India is a multi-cultural country. Different regions within India encompass different cultures and the differences are very apparent in terms of language, norms, values and behaviour. Therefore, future research should try to extend this study to other regions within India and other developing country regions to assess the relevance of this study's findings to other regions and can also try to see whether these cultural differences, in any way, would affect the research findings and the theoretical constructs we eventually developed.

In this study, we limited our application of stakeholder theory to the domain of buyers, suppliers, workers and agents within one global supply chain. We acknowledge that there are other stakeholders involved in global supply chain governance, including local governments and communities. However, we examined those primary stakeholders that theoretically should have primary claims in managerial decision-making. Future research might expand stakeholder theory and assumptions about governance beyond those immediately involved in the supply chain, such as derivative stakeholders like activists, or the media, that influence a firm's "stakeholder mindset" and engage cooperatively with other organizations. As noted by Phillips (2003), these stakeholders may be considered normative stakeholders on a "fairness-based" account to the extent they aid in the achievement of goals in a cooperative scheme. Therefore, they merit a moral consideration in stakeholder management of CSR activities.

While we have provided evidence of the drawbacks of voluntary compliance mechanisms, we do not intend to discount their benefits. Rather, our study is designed to encourage global companies to broaden their perspectives outside of general CSR obligations to the value creation opportunities for each set of contractors and subcontractors along the value chain. Future research might use a longitudinal multiple case-study research design to conduct a comparative case study between successful and unsuccessful international brands. This would allow researchers to explore interactions between different stakeholders who belong to a particular global supply chain in the implementation processes.

Finally, as mentioned, buying agents tend to act on behalf of both buyers and suppliers. In a way, the buyers see them as ‘representatives’, and the suppliers see them as ‘godfathers’. The role of the intermediaries is highlighted in the CSR literature (Dubbink, et al., 2008); however, the role the buying agents play in incorporating responsible workplace practices in supplier firms is underexplored. Further research on the role of the buying agents in constructing working conditions in supplier firms could offer new insights.

Conclusion

This study’s aim is not to refute the value of voluntary governance mechanisms. Rather, this study is an attempt to highlight the basic issues around such mechanisms that obstruct its complete execution. Our core argument is that, beyond merely using voluntary governance mechanisms as a route to gain competitive advantage, global buyers must commit to embrace the essence of social responsibility into the whole supply chain, in combination with imparting utility and value-added for participants along the chain. As the findings illustrate, the quality of resources, skills, infrastructure, stakeholder demands, and efficient production techniques available in the supply chain highly influence global suppliers’ decisions regarding adherence to the demands imposed by the voluntary governance mechanisms. Therefore, to establish a highly responsible supply chain, global buyers should dedicate their efforts to understanding the suppliers’ perspective in developing countries, to share risks, and provide opportunities for utility-maximization.

Note

[1] Further evidence includes various video documentaries published by numerous organizations across the globe. In 2008, Channel 4 UK aired a documentary (which was later blocked from being distributed)—titled “The Devil Wears XYZ”—exposing employment of child labour, existence of unsafe working conditions and low wages in the small supplier factories of the UK‘s low-cost clothing retailer, situated in Tirupur, India. In 2013, a documentary aired by AlJazzera—titled “Made in Bangladesh”—exposed the substandard working

conditions and usage of child labour in the supplier facilities of famous high-end US garment brands located in Bangladesh.

[2] Participants were labelled as follows: Workers: W1-W26; Subcontractors: SA-SK; Buying-agents: BA1-BA6; Trade union leaders: TU1 and TU2; CSR officers/auditors: CSR1-CSR7; NGO representatives NGO1-NGO3.

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Table 1: Stakeholder theory challenges to conventional global supply chain governance

Aspects of Governance	Conventional Voluntary Governance Assumptions	Challenges for Conventional Voluntary Governance - Stakeholder Theory Perspective
Locus of power	The locus of power is with the buyers	Stakeholders determine their own utility functions--the amount of utility they receive determines whether or not they will engage with the firm (Harrison and Wicks, 2013). Organizational justice is important to value creation (Harrison and Wicks, 2013). Stakeholders in the supply chain may not perceive buyer power conducive to organizational justice.
Basis for governance	Information collected though factory audits performed by independent and third-party auditors.	Stakeholders will assess the process and distribution of value (Harrison et al., 2010). Stakeholders in the supply chain may have problems with quality of information and procedural/distributive justice issues of fairness in reporting (Colquitt et al., 2001) The interconnectedness of stakeholder management will allow for supply chain agents to talk to each other and share attitudes about the treatment the firm gives to other stakeholders (Susniene and Vanangas, 2006). This can lead to assessments of fairness.
Drivers of governance	Penalties for noncompliance and rewards for compliance form the drivers of compliance	Stakeholders cooperate with each other when they share norms of behaviour; however, they will engage in generalized exchange and reward or punish those they perceive as fair or unfair in the network of stakeholders (Bosse et al., 2009).

Table 2: Selective interview quotes

	Locus of power	Basis for governance	Drivers of governance
Stage 1	*We insist on it (standards). We say, only if you have standards we give you business. We ask these standards as a mandatory aspect for the trade. It has become a checklist.* (CSR Officer, 2) *Very frankly speaking, no one is consciously doing it on a voluntary basis. It is buyer-driven. If they [subcontractors] do not have certifications, obviously, they won't get client orders.* (CSR Officer, 5)	*Third-party certification or monitoring system is growing in Tirupur. They [buyers] are increasingly outsourcing to these third parties. Even I can certify a factory after completing a course. The whole certification process is similar to business like models.* (NGO representative, NGO1) *We are looking into WRAP for North American customers and SA 8000 for EU customers. Our role is to do the basic documentations, maintain records, do internal audit and then verify how well they are doing it.* (NGO representative, NGO 3)	*In my opinion, small factory owners are under a lot of stress because of these certifications. I think there is a necessity for these standards. But, it should not be threatening. Buyers are doing it for their business.* (Trade union leader, TU1) *We have been doing business with these buyers for very long time...Now, if they ask for these certifications, you cannot just say no and break up the relationship. In those cases, we will try to obtain those certifications so as not to lose our buyers.* (Subcontractor, SE)
Stage 2	*Our role is to bridge the gap between customers (buyers) expectations and suppliers performance. Just to translate what is need and then do the audit as per the requirements….* (Buying agent, BA4) *It is like you know, buying agents control many things. Everything is processed under their control. So, the buyers will be happy that somebody is there to look after for them.* (Subcontractor, SA)	*Agents often visit us, talk to the owners and leave.... No no, they do not perform any auditing.* (Worker, 20) *Right now, we are trading through buying agent. We do not want to do it directly, because we need to compromise on a lot of matter... We need to invest on a lot of stuff... He [the agent] understands our situation, and accordingly he communicates with the buyers. It reduces our investment. He helps us to save money.* (Subcontractor, SB)	*Actually the firms I source from are trying to make it [regular working hours] possible. They really want to do it. But, you know, it is unpredictable until you sit on your seat and start your day.* (Buying agent, BA2) *See, they can follow (these standards). But, they would normally face a lot of issues in the field. We want to satisfy the buyers…Something might happen along the process and we have to change how we work. It is hard to make them committed to the standards.* (Buying agent, BA3)
Stage 3	*It depends upon the individuals' [subcontractors] abilities. If the law says that an individual can work for 14 or 16 hours but the person is unable to do so... then what? So I would say it depends on the individual's abilities.* (Subcontractor, SA) *This is my factory. I know my workers' needs better than anyone….I was a labor before and I'm in this field for almost 20 years.* (Subcontractor, SC)	*These days we are also trying to think like thieves [to diagnose subcontractors' acts] (laughing). To avail all the benefits, they do double records and so on...* (CSR officer, CSR1) *Adults only should work. Below 18 should not work. We ask for such requirements. But, in reality, they don't comply. For the purpose of audit, they send such workers on a leave on the auditing day and we won't come to know that…who came and who did not. When we go on a surprise visit, they will be working there. I mean under 18.* (CSR officer, CSR 2)	*When a company does job order or merchandising, they do not get much profits because, the whole profit is shared between many…* (Trade union leader, TU1) *If you look at the cost, they may not be able to comply. The pricing should match the cost…No, there is no support from buyers. …If you talk about established companies, they will have an individual department to take care of such stuff. But, smaller organizations, they would not know the requirements.* (NGO representative, NGO3) *Resources, I would say, resources is a major problem to maintain these standards* (CSR officer, CSR 3)

Figure 1: Stages of global supply chain governance