

## **Social Sustainability and Human Rights in Global Supply Chains**

Yinyin Cao\*  
College of Business  
University of Michigan – Dearborn  
Dearborn MI 48126, USA  
[yinyinc@umich.edu](mailto:yinyinc@umich.edu)

Frits Pil  
Joseph M. Katz Graduate School of Business  
University of Pittsburgh  
Pittsburgh PA 15260, USA  
[fritspil@pitt.edu](mailto:fritspil@pitt.edu)

Benn Lawson  
Cambridge Judge Business School  
University of Cambridge  
Cambridge, CB2 1AG, UK  
[b.lawson@jbs.cam.ac.uk](mailto:b.lawson@jbs.cam.ac.uk)

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\* Corresponding author

## Social Sustainability and Human Rights in Global Supply Chains

### **Abstract:**

**Purpose:** Firms are accountable for upholding worker rights and well-being in their supply base. We unpack the evolution in lead firm thinking and practice about how to assure labor conditions at suppliers.

**Design/Methodology/Approach:** We conducted interviews with the social sustainability leaders at 22 global corporations (“lead firms”) and their sustainability consultants to understand how they think about, and enact efforts, to support labor in their supply base. We complement this with an analysis of stated practice in proprietary supplier codes of conduct for the manufacturing and extractive-related firms in the S&P 500 and FTSE 350.

**Findings:** Our interviews suggest firms follow two distinct and cumulative approaches: a transactional-based approach leveraging collective buyer power to enforce supplier compliance; and a relational-based approach focused on mutual capacity building between lead (buyer) firms and their suppliers. We also see the emergence, in a small subset of firms, of a bottom-up approach that recognizes supplier workers as rights-holders and empowers them to understand and claim their rights.

**Originality:** We identify systematic convergence in supplier codes of conduct. While the transactional and relational approaches are well documented in the supply chain social sustainability literature, the rights-holder approach is not. Its emergence presents an important complement to the other approaches and enables a broader recognition of human rights, and the duty of Western firms to assure those rights.

**Keywords:** Supply chains; Social sustainability; Labor standards; Human rights

Lead firms are taking increased responsibility for how production is conducted in their supply base, particularly with respect to the well-being and conditions of supplier labor (Gualandris *et al.*, 2015). These efforts have led to progress on basic standards such as safety, and wages and working hours; however, many firms have had difficulty attaining consistent supplier compliance with expectations that are less visible or harder to audit. To understand how lead firms conceptualize and enact their role with respect to supplier labor, we situate our study in the corporate social sustainability literature (Huq and Stevenson, 2020; Lund-Thomsen and Lindgreen, 2014) and the literature on social sustainability in the buyer-supplier relationship specifically. Lead firms draw on a mix of formal contracts and informal relational mechanisms to enforce supplier adherence to expectations (Egels-Zandén, 2007; Huq *et al.*, 2014) and buyer power is presented as important to attaining supplier compliance (Marttinen and Kähkönen, 2022). Many of these efforts center on transactional approaches, participation in multi-stakeholder initiatives to leverage collective action, and additional relational efforts around supplier capacity building and remediation of problematic issues.

To obtain a baseline understanding of transactional efforts at suppliers, we collected and coded all available proprietary supplier codes of conduct deployed by manufacturing and extractive-related firms in the S&P 500 and FTSE 350. We show convergence in the codes and find that most have changed little since the development of the UN's Sustainable Development Goals (SDGs). To unpack the broader mechanisms and rationale underpinning lead firms' influence on worker rights and conditions, we interviewed senior CSR leaders at 22 of these firms with a proprietary code of conduct and 7 external sustainability consultants providing advice to these leaders. Through these interviews, we develop deeper insight on two cumulative approaches firms draw upon in their efforts: 1) top-down transactional endeavors, including

contractual efforts as well as enacting collective buyer power to enhance leverage and improve efficiency in enforcing supplier compliance, and 2) relational initiatives focused on capacity building and learning at suppliers. In our interviews, we also see the emergence of a third approach that embraces a rights-holder and duty-bearer perspective and emphasizes the role of workers in driving social sustainability. As firms enact these efforts, they not only facilitate a more balanced distribution of power in the buyer-supplier relationship, but also foster alignment of interests.

### **Social sustainability in global supply chains: Background and literature review**

Sustainable supply chain management is defined as the “management of material, information and capital flows as well as cooperation among the companies along the supply chain while taking goals from all three dimensions of sustainable development i.e., economic, environmental and social into account which are derived from customers and the stakeholders’ requirements” (Seuring and Müller, 2008; p. 1700). The social dimension of sustainable supply chain management is focused on people within the supply chain and encompasses efforts to improve employee well-being and working conditions, and to eradicate social failures that have adverse impact (e.g., child labor) (Huq *et al.*, 2016; Marshall *et al.*, 2019; Yawar and Seuring, 2017). In contrast to environmental sustainability where firms can make internal changes (e.g., to product design) to reduce harmful emissions, increase energy efficiency and improve environmental performance, social sustainability is often driven by, and dependent on, external stakeholders’ interests and actions (Villena *et al.*, 2021). This makes social sustainability more difficult for any single lead firm to influence. Although the literature sometimes combines the social and environmental dimensions of sustainable supply chain management, the implementation rates of

each differ, and the social dimensions are more uniformly adopted to at least some extent by lead firms (Bansal *et al.*, 2014).

The social dimension of sustainable development has received less attention in the literature than the environmental dimension (Yawar and Seuring, 2017), yet it falls squarely in the responsibility scope of lead firms (Asokan *et al.*, 2022). The capabilities to productively advance the social practices of suppliers are termed social management capabilities. These capabilities can manifest at both the lead firm and suppliers (Huq *et al.*, 2016). In our analyses, we examine the social dimensions of sustainable supply chain management and focus specifically on the strategies and practices deployed in this area from the vantage point of the lead firm.

The literature on supply chain sustainability takes its lead from the broader buyer-supplier relationship (BSR) literature, which emphasizes two distinct governance modes: a transactional approach, and a relational approach. The literature notes both substitutive and complementary roles for these two governance approaches (Mani *et al.*, 2018; Sancha *et al.*, 2016; Wadood *et al.*, 2022). Transactional efforts, for example, may signal distrust and encourage, rather than discourage, opportunistic behavior, undermining a lead firm's capacity to develop relational ties with its suppliers. Current research has however increasingly emphasized the complementary relationship between transactional and relational mechanisms based on the interdependence and compatibilities between the two approaches (Mani *et al.*, 2018; Poppo and Zenger, 2002; Wadood *et al.*, 2022). Buyer-supplier relationships contain hazards that are difficult to address transactionally, and relational mechanisms help firms safeguard complex transactions against such hazards. Relational mechanisms include investments in supplier capacity building like education, employee training, and expert assistance. These efforts facilitate

the development of trust and collaboration, which in turn, leads to expectations of cooperation, reduced transaction costs, higher exchange performance, and ultimately a more robust and long-term buyer-supplier relationship (Dyer and Singh, 1998; Huq *et al.*, 2016).

The transactional approach to labor control stems from firms' desires to mitigate the legal and reputational risks, and transaction costs that arise from global production. One example of transactional efforts to attain basic standards, like health and safety, as well as wages and working hours, is the enforcement of supplier codes of conduct. The codes of conduct articulate lead firm expectations and provide a basis for monitoring supplier compliance (Altura *et al.*, 2021). The codes fill voids in public governance in the locales where suppliers are located. They are driven in part by expectations that firms headquartered in nations with strong labor standards will extend these standards to their overseas suppliers (Altura *et al.*, 2021). In the case of some labor standards, like the prohibition of forced labor and modern slavery, firms place particular emphasis on enforcing codes at suppliers in locales with weak legal protections for workers, as well as when there is media scrutiny on their supply chains (Geng *et al.*, 2022). For issues like slavery where firms establish non-negotiable expectations, there are also extensive collaborative efforts among lead firms to develop standards and ensure compliance (Benstead *et al.*, 2018).

Monitoring of supplier performance is generally undertaken by third-party auditors, who are considered to hold unique expertise in evaluating code compliance (Pedersen and Andersen, 2006). In practice, hurdles to implementation include a lack of supplier capacity and incentives to comply, and the credibility of third-party auditors (Huq and Stevenson, 2020). Supplier opportunistic behavior includes keeping double-books, having protective equipment present only when auditing is expected to occur, and coaching workers on how to "correctly" answer auditor questions (Egels-Zandén, 2007; Huq *et al.*, 2014). To encourage supplier compliance to their

social initiatives, lead firms will rely on both rewards and penalties, with incentives in the form of increased business and training strongly associated with reductions in violations and operating costs (Porteous *et al.*, 2015). However, compliance is by no means universal, and the efficacy of codes and monitoring is greatest when lead firms have power over suppliers (Wilhelm *et al.*, 2016).

The operations and supply chain management (OSCM) literature suggests that efforts to control suppliers increase in the presence of high task complexity, low supplier capability, and the risks associated with non-compliance (Roehrich *et al.*, 2014; Shevchenko *et al.*, 2020). As transactions become more complex, however, there is also an increased need for relational coordination between firms (Jadhav *et al.*, 2019). This relational approach to governance emphasizes long-term, trust-based relationships. It involves close collaboration between the buyer and supplier, in which both parties undertake joint initiatives to improve working conditions in the supply chain (Alghababsheh and Galleary, 2021; Lund-Thomsen and Lindgreen, 2014). However, the feasibility of such relational efforts is often challenged by several factors, including logistical issues in managing close relationships with hundreds of suppliers, the costs and impositions placed on suppliers in achieving improvements, and the power asymmetries inherent among various parties in the global supply chain (Gereffi *et al.*, 2005; Lund-Thomsen and Lindgreen, 2014). The broader buyer-supplier relations literature also points to the risk of over-embeddedness associated with relational approaches (Lechner *et al.*, 2010; Villena *et al.*, 2011) although perhaps that is not as significant a risk with respect to supplier efforts to adhere to a lead firm's social sustainability expectations.

In the context of supply chain sustainability efforts, neither transactional nor relational mechanisms are universally effective as each entail constraints around costs and transparency in

facilitating suppliers meeting lead firm expectations (Lund-Thomsen and Lindgreen, 2014; Murcia *et al.*, 2021). To increase leverage over supplier behavior and further improve social performance in the supply chain, recent research finds that lead firms are undertaking collaborative forms of governance via joint training and auditing of supplier factories (Huq and Stevenson, 2020). Collective pressure from groups of lead firms can usher in higher levels of social sustainability implementation by increasing the consequences of non-compliance. However, as noted by Lee and colleagues (2020), lead firms engaged in collective sustainability efforts face the risk that sharing supplier audit information can lead to accidental disclosure of competitive information such as cost structures and product quality. Furthermore, some firms view superior social sustainability efforts as an important source of competitive advantage (Preuss, 2009). Deepening in-house capabilities allows these firms to enhance their direct understanding of their suppliers' cultural and operational needs – insight that may translate into lower monitoring requirements to attain desired performance outcomes (Shafiq *et al.*, 2022).

## **Methods**

To explore the choices of lead firms in promoting social sustainability among their suppliers, we draw on two sources of data: one, firm-specific supplier codes of conduct, and two, semi-structured interviews with senior sustainability leaders and associated consultants. Interviews offer rich data that enable an in-depth analysis of the focal phenomenon and the identification of contextual influences. This data sets the stage for a theory elaboration approach to develop deeper insights on the diverse efforts lead firms undertake to improve working conditions in their supply base (Edmondson and McManus, 2007; Ketokivi and Choi, 2014). Our selection strategy and methodology are described below.



### *Supplier code of conduct*

We identified all firms in the manufacturing and extractive industries represented in the S&P 500 and FTSE 350 indices (N=486). For 245 of these firms, we obtained the proprietary codes of conduct.<sup>[1]</sup> The collection of codes had development dates between 2007 and 2018. The codes of conduct are summarized in Table I. Bold text in Table I indicates the major areas of coverage in the supplier code. Beneath each, the indented text represents additional sub-clauses specified by some firms within each major area. In the table, we also incorporate 2007 data as comparison (Preuss, 2009). All the codes of conduct are available from the authors as an on-line repository.

[Table I about here]

### *Semi-structured interviews*

We searched the LinkedIn executive profiles for all the firms in Table I, identifying 67 firms who indicated they had an executive dedicated to supply chain sustainability. On average, these firms had substantively larger revenue than the median firm in Table I (\$26Bn versus \$15Bn). We contacted these executives via LinkedIn, email, and phone. 22 agreed to be interviewed, with all confirming they had responsibility for the design and management of supplier labor standards within their firms. Of the 22 participating executives, four indicated they shared these responsibilities with another executive. In those cases, we interviewed both (26 executives representing 22 companies – 14 headquartered in the US, 8 in the UK). We were not able to interview executives at 45 firms due to non-response (32), time availability (8), and company policy (5). A comparison of these firms with our respondent firms suggested minimal differences in the number of employees, revenue, gross profit, and return on assets. We asked our respondents if they had consultants advising them on issues related to worker rights and

conditions in the supply chain. All seven consultants thus identified agreed to be interviewed. Collectively they had served on 12 global multi-stakeholder initiatives. Characteristics of our interviewees and other data sources we draw on are presented in Table II.

[Table II about here]

We followed a semi-structured interview protocol to explore the research question of interest. To mitigate potential concerns of social desirability, we followed established practice by emphasizing anonymity at the beginning of each interview. We explained that the aim of our study was not to judge the successes or failures of firms, but rather to learn about the rationales and practices of labor influence among lead firms (Yin, 2017). Each interview lasted between 30 minutes and 2 hours (average of 56 minutes). All but two interviewees agreed to have their interviews recorded, and recordings were transcribed verbatim (interview transcriptions totaled just over 200,000 words).

### *Data analysis*

We relied on QSR NVivo 11 and followed a hybrid analytical process to identify theory and data-driven codes. This hybrid analytical process has been utilized in multiple OSCM studies as it establishes the coding structure from the outset of the analysis and enables further data-driven coding during the analysis (e.g., Akmal *et al.*, 2022). As a first step, we searched the interview text data for descriptions of lead firms' use of influence mechanisms. We used theory-driven codes based on our literature review (transactional and relational governance) to categorize the rationales firms provide for influencing working conditions in their supply chains, and the strategies they deploy to attain their goals on that front. We then employed data-driven coding

following the key steps of thematic analysis (Braun and Clarke, 2006). We marked relevant passages to discern similarities and differences among the interviewees and to identify themes when there was corroboration across multiple sources (i.e., firm interviews, consultant interviews, CSR reports, and/or supplier policies and codes of conduct). As new concepts emerged, we moved from data to literature and back to our data to refine our thinking. This process enabled us to delineate the motivations and behaviors lead firms are employing in their social sustainability efforts. These codes were later combined to form themes that capture the key aspects of each approach. In particular, we explore the specific mechanisms through which the transactional and relational approaches are enacted. In this process, a third pathway emerged inductively through our coding, centered on bottom-up worker empowerment and the training of worker rights.

## **Findings**

### *Transactional-based approach: Leveraging the collective power of buyers*

All firms in our sample relied on transactional efforts to assure supplier adherence to their expectations regarding worker rights and conditions. These include standards of conduct, mechanisms to assure compliance, and a framework of incentives and penalties.

*Implementation of supplier codes.* Our collection of supplier codes of conduct reveal that most lead firms have coverage across a broad spectrum of core labor clauses, and the codes are not a major differentiator. One can think of these as base expectations for large firms, with differences manifesting primarily in sub-classes. We also examined the codes before and after the introduction of the United Nations Sustainable Development Goals (UNSDGs) in 2015. We found no significant differences based on the date of the code, with only 21 of the 245 firms

having updated their code of conduct after 2015. For these 21, we compared the language across the codes before and after the introduction of the UNSDGs and found the differences to be marginal. The literature suggests that codes of conduct are insufficient to assure labor conditions in the global supply chain (Murcia *et al.*, 2021). In line with this, one of our interviewees noted: “... *the code itself tends to be pretty short and to the point, because it’s more a quasi-regulatory thing*” (Senior Sustainability Manager, Retailer). Furthermore, they serve an expedient approach to address potential criticism of inadequate efforts to address supplier challenges – as one consultant noted: “[*executives*] *high up in the organizations will tell the people that are involved in these things, please make this go away. And that’s actually all they want to do. They just want to make that bit of noise, which is bad for their reputation and for their share price, just go away.*” However, some did note that when the types of basic expectations set out in these codes are violated there are clear implications for performance. For example, one interviewee noted:

“...*we know that products that have 1 or 2 or 3 star reviews, we trace it back... and 9 times out of 10, we’ve seen those factories have had many repeated offenses when it comes to their laborers.*” (Global Sourcing Leader, General Retailer)

To enforce the codes, firms expend extensive resources on social auditing to assess, track and document supplier performance. A risk-adjusted approach was used to prioritize which suppliers to audit, typically on the basis of their proximity to end customers, country location, use of subcontracted or agency labor, and factory ownership. Substantive costs accrue when standards and social audits are idiosyncratic across lead firms, with suppliers subject to frequent and varied auditing of their facilities. One interviewee in reflecting on audit fatigue among suppliers noted: “*there are cases where factories have been audited 150 times a year.*” To reduce these

transaction costs and increase leverage, firms are exploring coordinated efforts outside of the traditional supply chain dyad.

*Collective action and standardization.* Several interviewees note they are standardizing expectations with other lead firms, undertaking joint action on identified transgressions, and allowing suppliers to share audit information with other customer firms. These collective efforts among lead firms arise not only from a desire to reduce transaction costs among buyers, but also to “*level the playing field*” (CSR Consultant) and legitimate individual firm efforts around social sustainability. Variability in supplier compliance often manifests when suppliers have multiple customers, each with different standards. In the face of this diversity, firms’ individual standards can have less efficacy. As one consultant noted:

*“[In] many of these factories, you’re sharing production with your peer companies, so Apple’s in that factory with Amazon, who’s in that factory with HP... they [suppliers] have many, many clients. So you can imagine, even if you did your best job at controlling your purchasing practices and so forth, and the ten other players don’t, you’re still gonna have the same problem at the factories.”*

Another consultant provided this analogy:

*“If I’m trying to build a house with my hammer and other tools, and another brand is trying to build the house with their hammer, then it’s a very messy house, and it’s going to be very annoying for the person living there. So you try to coordinate and use a better hammer because we can afford a better hammer with the two of us.”*

In addition to increasing leverage and reducing costs, lead firm collaboration enables greater transparency, increases joint accountability, and enhances outcomes. Our interviewees indicated that sharing audit information with other lead firms leads to superior insight on overall factory conditions and affords an opportunity to conduct more focused supplier visits. For some firms, it also provides opportunities for joint supplier training and development. When shared audits lead to fewer and more standardized audits, suppliers benefit from clearer expectations, simplified record keeping, and reduced audit fatigue.

However, a third of our interviewee firms were not open to collaboration or information sharing with other firms. Some firms justified this position based on the nature of their products being “rare” or “highly specified”, while others expressed skepticism over the credibility of audits conducted by other firms. A small number of lead firms were also keen on maintaining secrecy around supplier performance. They viewed the information that resulted as proprietary and important to their on-going supplier improvement initiatives. For the majority of our firms though, assuring worker well-being at suppliers was framed as a pre-competitive activity paving the way for collective action. As the responsible sourcing manager of one company summarized:

*“When it comes to things like responsible sourcing, it’s not about competitive advantage with your peers at all, it’s really about optimizing the efforts the lead companies are putting in... It’s about smarter sharing, and that’s where we’re moving towards.”*

#### *Relational-based approach: Buyer-supplier capacity building*

In the absence of deep supplier collaboration, top-down assessment-based approaches relying solely on buyer power are often limited and inefficient. Interviewees at 12 of our firms indicate

they rely on, or are moving towards, a capacity-building approach with suppliers. For some, these efforts were aimed at suppliers where transactions are highly specified, mutual dependence is substantive, and efforts at trust-building and long-term exchange are prominent. As the manager of a major electronics company explained:

*“We can’t find other people to make certain things, like the glass on the [product] ... it’s a special kind of glass... so we don’t have a choice to go, there’s not like a thousand (suppliers)... if you look at apparel, thousands and thousands and thousands of people can buy fabric and make it, but we’re very limited, we have very long-term relationships.”*

Not all relational efforts were geared at critical suppliers. Some interviewees reported undertaking relational efforts independent of the importance of the supplier. These included firms buying from commoditized supply markets like apparel and other sectors with deep supply markets. These interviewees shared stories of deliberate efforts to transition suppliers from a market exchange toward a more relational model focused on enhancing supplier capacity and mobilizing expanded supplier efforts to drive desired behaviors. In this transition, the power balance across the supply chain becomes increasingly symmetrical with both buyers and suppliers incurring labor-related investments. Firms recognize that this balance strengthens their relationship with suppliers with positive implications for supplier labor. As one CSR consultant reflected:

*“Conditions for good partnerships... are about equity and balance of power, and basically everybody getting something out, rather than it being a power imbalance and one-sided relationship.”*

Although “equity” and “power balance” might not always be viewed as desirable from the lead firm’s vantage point, it is important to note that emerging economies are growing markets in their own right. These economies have a growing industrial customer base and suppliers have a choice as to which markets to embrace with their products. A sourcing manager at a general retailer pointed to the risks that emerge when relations are not balanced: *“If they (suppliers) could sell to the Far East, where regulations are a lot less, why would they want to sell to us instead?”* Taking a collaborative approach with suppliers increases the likelihood that suppliers will comply with lead firm expectations and that they will be forthcoming when facing challenges:

*“We fought a really difficult long battle to get the real wages and working hour records, and getting that trust, and for suppliers to be able to open up and show us what is the real situation... And then we had to show our trust by saying, it’s okay, we’re going to stay with you. We choose to stay with our suppliers, because it’s better to know the reality, than to say they’re all compliant but they’re actually showing us double books.” (Head of Compliance and Monitoring, Retailer)*

A collaborative approach entails a different response to supplier non-compliance. Our interviewees comment that pulling contracts immediately following a violation does not improve the lot of supplier workers; remediation processes often presented a better pathway to improving their situation. These processes included providing ethical training workshops, establishing peer-to-peer learning networks among suppliers, and linking struggling suppliers with external support such as local supply chain consulting or low-interest financing. Remediating problems, rather than exiting the relationship, can be particularly useful for more complex and systemic



issues, as *“many of the deeply embedded issues are not things that can be just solved from one month to the next”* (Senior Sustainability Director, Retailer). However, there is a limit to the number of violations lead firms are willing to tolerate:

*“You’ve got to draw a line somewhere. What, are you going to keep giving them 5 years of opportunity, 10 years of opportunity, and certainly you know, an NGO is not going to say, oh, well, they’ve been great, they’ve worked with this factory for 10 years, and there’ve been no improvements. In fact the argument would be, look at them, they’ve been working with this factory that’s been non-compliant for 10 years, and they’ve just had their backs... so there’s this very fine line... at some point, you have to decide, is it a 3-strike policy? Or somewhere at some stage you have to draw a line.”* (Senior Sustainability Director, Retailer)

In general, however, with increased lead firm support, suppliers are no longer under the constant threat of losing orders. Suppliers often reciprocate via increased loyalty and commitment towards the buyer. According to multiple interviewees, this may manifest as dedicated production lines to ensure adequate resources and performance, or the prioritization of the lead firm’s products over those in-process for other clients. This leads to a virtuous cycle of greater production volumes requested from the supplier and as the volumes grow, increased buyer influence to foster positive change for supplier labor. While assuring supplier labor conditions reduces risk, our interviews reveal other benefits from deeper engagement with suppliers. These include more stable production volumes, greater worker productivity, higher product quality, and reduced workforce turnover. After performing an internal study of its supplier labor management expenditures, one of our interviewees commented:

*“For every dollar invested in worker programs like health, education, or financial literacy training, there are four dollars in return that the manager sees in reduced turnover, reduced absenteeism, reduced tardiness... so a more engaged workforce.” (VP of Sustainability, Apparel Company).*

Complementing these relational efforts with suppliers, interviewees pointed to greater internalization of capacity building efforts and alignment of interests within the lead firm itself. This included two important steps: 1) developing and training their own audit teams rather than relying on external social auditors, and 2) embedding social sustainability into procurement practices. We discuss each element below.

*In-house auditing.* For many interviewees, the initial impetus to bring audits in-house was the recognition that third party social audits are subject to misconduct and wrongdoing by both suppliers and the auditors. The global sourcing director of one major retailer offered the following example:

*“The audit report came from this specific factory, and they had this incredibly good result. My team was like, yeah! About a year and a half [later], my team went to the factory ... I got a phone call at about 9 o’clock at night, ‘We have a huge problem. There’s a factory here that’s going to collapse.’ They’re phoning me from inside the factory, I’m like get out! Just leave right now. So we dug up all the old audit reports, and they had a great score. So obviously they were bribing the inspectors ... You can’t get a sense of what somewhere is like from some tick box, some photographs that were taken.”*

Audits and factory reviews by third parties provide a “*blurry snapshot in time*”. Lead firms that rely on their own employees for supplier audits obtain a more accurate picture of working

conditions at suppliers. The lead firm's in-house team can help clarify and reinforce the firm's goals and requirements and identify ways to assist the supplier's improvement efforts. In describing this corollary benefit, the Head of Compliance and Monitoring at a major retailer noted:

*"...during the audit, it also becomes very easy to transfer our message of who we are, what our values are, and how we want to operate with these things... to share why do we have these policies in place, and how do we work with these, so that our suppliers also really understand, where do we come from when we're working with these issues."*

As in-house auditing teams gain experience, they develop greater confidence in their expertise, leading to a willingness to deviate from the general "tick-box" forms that are the mainstay of external audits. As an example, two interviewees described efforts to assess the working conditions of subcontracted labor in a supplier's facility, not just because they sought to enhance the safety and working conditions of these workers, but because they had started to see that subcontractors can serve as the "canary in the mine" for the supplier's broader employment practices. In-house auditing capabilities also enable firms to go beyond basic labor standards and strengthen supplier capacity on other fronts. The VP of one major pharmacy chain explained:

*"If you look at the factory that collapsed in Bangladesh, 3 British companies had audited that firm and found nothing wrong, but the reason for that is, on their audit sheet, it doesn't say, 'look for crack a foot wide on 6-floor building'... our people are trained to use their common sense... they spot problems, they don't have just a standard tick list. What they can do is, they can point out mistakes and errors in which a business might be operating."*

Our interviews nevertheless revealed some debate on the relative merits of in-house and external auditors. These debates center on audit efficiency and credibility. For example, a few interviewees pointed to situations where logistic or language requirements necessitated third-party auditors familiar with the local context. The number of suppliers and countries in a firm's production network likewise can make it overly costly to undertake an in-house audit of all suppliers. However, among firms that brought auditing in-house, interviewees generally report observing “*night and day*” differences between external audits and those performed by their own teams. One interviewee reflected on these discrepancies:

*“You need your own people who understand your company’s values, and who frankly, if they don’t uphold those, their jobs are on the line, rather than a third-party auditor who is thinking about what sandwich he’s going to have for lunch... Something we have found is, they [external auditors] are there to get the job done. They’re not peeling an onion and looking around and asking questions. They have their tick-list, whereas my team is there to really know the factory.”*  
*(Director of Global Sourcing, Retailer)*

*Embedding social sustainability into purchasing practices.* The extent to which firms truly integrate social sustainability goals into their internal communications and activities can reflect their commitment to worker welfare and supplier development. Our sample firms were acutely aware of how their internal operations, particularly in the procurement department and the actions of individual buyers, affected worker conditions at suppliers. For example, pricing pressures and demands for just-in-time production imposed by the lead firm were contributing factors to supplier non-compliance:

*“So we not only look at suppliers, but we also look at how our internal teams actually support suppliers to reach compliance, because we believe it’s not only like dictating to factories or suppliers what you should be doing, but you also need to have close cooperation. And that requires us to look inwards and see how we’re performing.” (Head of Social Compliance, Retailer)*

We saw some tension on this front with respect to qualifying new sources of supply: in the majority of our firms, the social sustainability function had an advisory role, with decision rights residing in purchasing. In a small number, sign-off from the social sustainability function was *sine qua non*. Shared accountability for social sustainability across departments exposes the “hidden relationships” across various initiatives (e.g., the effect of a change in production design on working hours, or the link between lean manufacturing and a sustainable workforce). Most of our consultants emphasized the importance of where organizations place the supplier social sustainability function:

*“Where they place it is a huge indicator of how they view the work... that shows how the motivations are... Internally people need to be held responsible.”*

Among the 22 firms we interviewed, 5 firms placed responsibility for social sustainability in a separate head-office group, while the remaining 17 had migrated it into the supply chain/purchasing function. Where social sustainability is located can be viewed as a signal of its importance; a number of interviewees also emphasized the importance of the incentive structures for those most proximal to supplier-related decisions. When buyers in the purchasing function for example, are evaluated based in part on their success in incorporating social sustainability goals, they are more likely to make purchasing decisions that support those suppliers whose actions and efforts are aligned with the social sustainability goals of the lead firm. These buyers

are also more likely to connect errant suppliers to resources and support where needed. As a social sustainability manager for a major retailer noted:

*“Our social environmental compliance, it’s not a KPI for the sustainability professionals within the company, it’s a KPI for the purchasers, so they are held responsible for the situation at the suppliers. So it’s not that we have purchasers that try to push volumes through as much as possible and then on the other side, you have sustainability people shouting, ‘hey, please improve that’, no, those KPIs are within the purchasing team, so it’s a business discussion, and they discuss these issues whenever they visit suppliers.”*

#### *The human rights approach*

Most interviewees indicated that while imperfect, transactional and relational-based approaches reflected a practical frontier curve of their ability to influence worker rights and conditions. Some interviewees suggested that supplier management should be undertaking efforts to support their labor, even when the lead firm or other 3<sup>rd</sup> party organizations are not present. They were not, however, confident this was happening. Reflecting on the challenges of relying on a third party to assure supplier management does the right thing, a senior sustainability manager noted:

*“... if you keep making this something that is a third party trying to get compliance, it’s so strange. You sit in a car, you put your seat belt on, because you’re accountable as the driver of that car, you do it, and so, there’s a lot of behavioral change in education that still needs to happen.”*

In our coding, we identified themes that sat outside of the traditional transactional or relational lenses. These arose in six firms in our sample where interviewees raised dimensions centered on

direct intervention with supplier workers -- dimensions which sit outside those traditionally examined in buyer-supplier relations. These firms embrace the stance that social sustainability is a fundamental requirement for all parties in the supply chain: “*You can’t compete on people’s rights*” (Sustainability Manager, Agriculture Company). However, they stressed that the decision to provide direct support to supplier workers is not a given, with the motivation for these efforts closely connected to the moral foundations of social sustainability. As one executive noted, it is fundamentally about “*the corporate culture; the leadership of the company, just believing that it’s the right thing to do*” (Human Rights Strategist, Electronics Company). Beyond leadership, also important are the social sustainability desires of current as well as prospective employees in the lead firm. As one sustainability director (Retailer) noted:

*“There’s a load of evidence that says when big businesses are recruiting graduates, it is the most asked question of a potential employer... not necessarily about what’s in their supply chains, but generally about their ethics, values, and sustainability in the broader sense, because they want to work for a company that shares their values and intentions....”*

These lead firms undertake efforts that complement the transactional and relational efforts with initiatives that connect directly with workers in the supply base. The starting premise is that as the beneficiary in lead firms’ social sustainability efforts, supplier workers are *rights-holders* who possess inalienable claims to basic human rights. These lead firms view decent work and fair employment not as a voluntary labor standard but as a fundamental human right. They embrace their role as a *duty bearer* and extend their efforts beyond supplier management to engage directly with supplier labor. They work alongside other duty bearers like trade unions and NGOs to create opportunities to strengthen workers’ knowledge about their rights and

empower workers to claim their rights. Embracing the idea that supplier workers are rights-holders reflects a fundamental shift towards a prosocial approach to social sustainability.

*Educating workers as rights holders.* Workers often lack even the simplest awareness of their rights. As the global sourcing leader of one major retailer who had undertaken extensive conversations with factory workers at different suppliers noted:

*“They (workers) don’t know how much they get paid, and why, and when. There’s no training on ‘this is your benefits [sic]’, ‘you’re entitled to a health check’... They don’t know the rules because no one tells anybody anything! It’s insane. Things we take for granted, like communication, all that stuff... in the factory, they just sit there, they don’t even know what they’re allowed to do, what they’re not allowed to do.”*

Because supplier management is often uninterested, unwilling, or unable to help supplier labor understand their rights, lead firms rely on a bottom-up approach to labor protection by informing and educating supplier workers directly on their rights and how to attain them. Lead firms pointed to very high worker turnover in their supply base as one explanation for the disinterest of supplier management to take an active role in educating workers on their rights. Some observed that at supplier factories they worked with in China, the average worker tenure was counted in months, not years. Lead firms also noted that supplier management objectives, and those of their workforce, are not aligned: *“the concerns firms have for workers are often not the concerns that they [the supplier workers] have”* (Sustainability Director, Retailer). Lastly, a subset of our interviewees noted that some supplier management teams were not well-positioned to help workers understand their rights because they had not earned their workers’ trust: *“If you and I were working (in a factory), and somebody sticks a poster on the wall, that says call this number*



*(if you have questions about the labor law), you're like, well, who the hell are they, why should I trust this number?"* (CSR Consultant). These perspectives highlight the increasing recognition that *"supplier managers alone can't bring about the changes that are needed"* (Sustainability Director, Retailer).

*Empowering workers as rights holders.* To facilitate worker agency with respect to labor standards, several interviewees described mechanisms through which workers can engage directly with representatives of the lead firm or other duty bearers like NGOs. Examples include providing workers with mobile phones, launching worker hotlines and social media apps, and conducting off-site interviews. These mechanisms bypass supplier factory management and reduce concerns about potential retaliation against workers. The hotline that workers use to report issues and grievances can also be used for information sharing and education. In the case of one app being trialed, workers see their wages, working hours, as well as facts on key rights, while at the same time, enabling targeted compliance on these issues. These mechanisms set the stage for the lead firm to obtain direct insight into the labor challenges and opportunities in its supply chain. As one CSR consultant observed:

*"How do you know which suppliers truly improved? You can do more auditing, but auditing's quite expensive. You could do it, say twice a year. But you could have more information the whole year long by having trained workers, letting them report questions that the audit didn't pick out, if their suppliers cheated or whatever... letting them understand the labor laws themselves so they can advocate and protect their own rights."*

In the same way that a lack of trust in supplier management limits management's ability to educate workers on their rights, it is also a direct obstacle to ensuring workers claim their rights.

As one consultant noted: *“workers learn their rights, and they try to engage factory management, and the management calls guys with baseball bats to beat them up... and the government allows it.”* To address this, lead firms can introduce collective mechanisms and leverage the power of key stakeholder groups such as worker committees, trade unions, or independent 3<sup>rd</sup> party organizations. These facilitate structured dialogue and collective voice, increasing the likelihood that issues will be surfaced and addressed, including issues not directly in the factory. A Responsible Sourcing Manager gave the following example:

*“The way it (the worker committee) works, is every time we sell a product from a farm, we will put a percentage of the profits to a central fund, it then goes back to that farm and they choose how to spend it via a worker committee... for example, in Kenya, on one of our roast farms, they (workers) had a real challenge with maternity clinics and safe maternal care, so the committee worked to invest their money to build the infrastructure to improve maternal wards.”*

Several interviewees noted that the increased knowledge and information also enables workers to assess working conditions across different factories, *“pick where they want to work... so it is easier for them to kind of jump around”* (Responsibility Program Director, Apparel Company). Ultimately, in order for workers to access their rights, all key decision makers in the supply chain need to accept and embrace their roles as duty bearers. One sustainability manager pointed to the importance of joint discussions among buyers, suppliers and workers in working towards remediation: *“There are certain things that are in the purview of management, and others that are in the purview of workers, and then there are collective interests.”* In recognizing this, the lead firm as duty bearer leverages its power with other key actors. In those instances where

supplier management –worker relationships have progressed, this can include encouraging supplier management across the suppliers’ internal hierarchies to take on the role of duty bearers:

*“You educate the workers about their rights, and then at the higher level, people actually enforcing those rights, and then at the middle level, you have the managers who are helping to create an ecosystem where workers feel engaged and empowered and understood.” (CSR Consultant)*

## **Discussion**

Our analyses shed light on the evolving efforts of lead firms to promote social sustainability, as reflected in three distinct and cumulative approaches. The key elements of each approach are outlined in Table III. The initial approach focuses on top-down efforts among lead firms to increase leverage and reduce transaction costs as a means to enforce supplier compliance and mitigate risks; the second relies on relational capacity-building mechanisms to create shared goals with suppliers; the third draws on the recognition that workers have fundamental human rights and introduces the role of lead firm as duty bearer to ensure workers know about, and can access, their rights. While each of these approaches are touched on in the literature in different forms, we see important characteristics of each that are under-emphasized in the literature.

[Table III about here]

A large proportion of our interviewee firms had moved from relying solely on transactional mechanisms, to layering on focused capacity-building efforts with suppliers via more relational approaches. In looking at codes of conduct, we see on the transactional front that the documented expectations that are applied across the board to suppliers have evolved little over the last decade. The changes that have emerged involve top-down collective action by

groups of lead firms that monitor and share information as a means to influence supplier behavior. Although these efforts may promote safe and secure work environments, our interviews suggest these collective efforts are motivated primarily by lead firms' desire to control supplier labor-related risk and variability. The efforts at collaboration among lead firms have been touched on in the OSCM literature. They are argued to drive supplier compliance via increased collective leverage and influence (Huq and Stevenson, 2020; Lee *et al.*, 2020). Our interviewees also point to the importance of considering the demands these efforts place on suppliers, the benefits of harmonizing expectations for those leading the suppliers, and the value of thinking collectively on what facets of social sustainability are most impactful. Nevertheless, for some lead firms, the audit and control steps feed into their supplier improvement efforts and as such, they were not open to collectivizing monitoring and compliance efforts with other lead firms. Regardless of whether lead firms collaborated with others in their monitoring and compliance efforts, conversations around what is measured and why serve as a natural stepping-stone to building partnerships and deeper exchange and support with suppliers.

In our conversations regarding the relational efforts firms are undertaking, we see some conscious decisions on the part of a subset of firms to move away from relying on supplier "importance" and risk exposure in deciding which suppliers are worthy of relational efforts. Indeed, a number of firms undertook efforts with suppliers providing commoditized products. This represents a deviation from what is recommended in the BSR literature (Roehrich *et al.*, 2014; Shevchenko *et al.*, 2020). As lead firms engage with suppliers, they are able to clarify expectations around standards, communicate their values, and undertake capacity building. As they invest in suppliers, the power balance between the lead firm and suppliers becomes more equal. While the transactional lens might consider this to be an undesired outcome, our

interviewees pointed to several benefits of having suppliers as equal partners. For example, supplier assessments could be refocused on areas of growth, suppliers were more likely to voluntarily and proactively report challenges, and efforts to enhance worker conditions also led to positive changes on supplier worker engagement and turnover. Additionally, our relational approach reflects not only open dialogue and trust between buyers and suppliers, but also sheds light on the importance of enhancing internal efforts within the lead firm to strengthen implementation efforts and increase the accuracy of supplier assessments. Interviewees noted that when values and goals are aligned within the lead firm, buyers can more effectively guide and support supplier implementation of labor standards. This alignment is also important to ensuring that social sustainability plays a decisive role in purchasing decisions and reduces the conflict often reported in previous studies when buyers make decisions that might counter broader sustainability goals (e.g., prioritizing price over labor compliance, or overlooking overtime restrictions when introducing rush orders) (Amengual *et al.*, 2020; Huq *et al.*, 2014).

The third approach that emerged from our interviews sheds light on the increasing recognition of workers as rights-holders and the benefits that result when firms and others act as duty bearers to ensure those rights. It aligns well with broader debates about human rights and business' responsibility to society (Venkatesan, 2019). While there is no question that supplier workers are rights holders, their ability to claim and realize their rights depends on the empowerment by others in the supply chain. In looking at the role of the lead firm in empowering supplier labor, we move beyond the traditional role of the lead firm in the BSR literature. Social sustainability is no longer situated within the tight confines of the lead firm-supplier exchange relationship and brings supplier labor sharply into focus. This approach deviates from the traditional BSR perspective in that the stipulations in supplier codes are recast

as rights rather than standards. Safe working conditions, choice of employer and employment, freedom of association, and the like, become fundamental rights that all workers have and are thus non-negotiable. Workers shift from being “passive objects” of supplier codes of conduct to gaining some agency in protecting their own rights.

Informing workers of their rights directly empowers workers and mitigates supplier opportunism resulting from power imbalances and lack of transparency between buyers and suppliers. Recognizing that workers have a unique vantage point on their own rights, legitimates their efforts to improve their conditions. When workers understand their rights, they are more likely to seek change when conditions are problematic (either by exiting the current supplier to work for factories with higher labor standards or by exerting voice to improve the situation). In engaging workers in supply chain sustainability efforts, this also recognizes the limitations in the efforts of any single actor (lead firm or supplier), and underscores the importance of joint dialogue among multiple actors in driving substantive, continuous social change in global supply chains. This in turn leads to positive outcomes for both buyers and suppliers. As but one example, current and prospective lead firm employees care deeply about worker conditions and there too, taking a duty bearer approach can have positive consequences for employee recruitment and retention.

### *Limitations and future directions*

We have focused on lead firm efforts with respect to first-tier suppliers. First-tier suppliers can play a pivotal role in transmitting sustainability requirements deeper into the value chain (Johnsen *et al.*, 2022; Wilhelm and Villena, 2021). It is important to situate our findings in relation to the tactics up-stream suppliers rely on to insulate their operations from social

sustainability initiatives and circumvent demands for improved working conditions. This is key to ensuring that the approaches identified in our study penetrate to those contexts where workers are most vulnerable. Initial work in this area suggests that non-mediated forms of power, focused on building relational strength and trust, are more effective than transactional efforts in encouraging first-tier suppliers to transmit social sustainability expectations up-stream (Marshall *et al.*, 2019). Whether first-tier suppliers are also willing to take on duty-bearer roles and engage up-stream supplier labor is an important research question that remains to be addressed.

In addition to collaboration among firms, suppliers, workers, labor unions, and NGOs, policy makers are also taking an increasingly prominent role. For example, numerous jurisdictions require that firms monitor and report on their actions to promote human rights and decent work in their supply chains (e.g., UK's Modern Slavery Act, 2015; the EU Corporate Sustainability Reporting Directive, 2022). Such legislative efforts are another driver focusing attention on firms' roles as duty bearers. Exploring how these legislative efforts as well as multi-stakeholder initiatives influence lead firm decision-making, both with respect to the US and the UK where our study is located, and other regions of the world, would enrich our understanding. These expectations inform not just lead firm initiatives, but also supplier efforts to share learning and joint efforts with their peers in different industry sectors (Wadood *et al.*, 2022). Other social and contextual factors that may influence lead firm approaches to social sustainability that are worth exploring include the importance of the end consumer, the length of the supply chain, the position of the firm in that chain, and different strategic orientations (Awaysheh and Klassen, 2010; Croom *et al.*, 2018).

While our sample featured variations in organizational characteristics (e.g., location and industry), our sample size limits our ability to draw extensive inferences about how contextual

factors influence firm decisions to implement different approaches. Furthermore, given the emergent nature of the third approach, it is early to form conclusions as to what firm characteristics may be driving a firm's decision to embrace the role of duty bearer. There is some indication, for example, that firms with a higher long-term orientation are more likely to achieve operational benefits from more advanced social sustainability practices (Croom *et al.*, 2018). However, a long-term orientation with respect to sustainability may be in tension with the temporal orientations of other stakeholders (Klassen and Hajmohammad, 2017). In other areas of supplier development, it has been argued that advantages may accrue to early movers (Reuter *et al.*, 2010). Longitudinal case-study work could assess whether that is also the case for those firms that are early adopters of the human rights approach. There is also the more profound question of whether supplier workers attain sustained improvement in their conditions. While we have focused on the lead-firm – supplier relationship, some of the challenges on the social sustainability front are deeply engrained and reflect system-wide dynamics that lead to exploitation of vulnerable workers (LeBaron, 2021). It will be important to assess whether efforts to directly engage and educate supplier workers contribute towards a solution to these challenges.

Our reliance on single key informants (defined by organizational hierarchy and positional responsibilities) parallels the approach used by other papers in the social sustainability space (Carrington *et al.*, 2019; Hunoldt *et al.*, 2020; Yin, 2017). Future research might explore how departments in the firm that are not part of the core sustainability purpose view the rationale and efficacy of the social sustainability approaches that our interviewees identified. Some focal case-study work in the fashion sector suggests that when the sustainability efforts are embraced by the highest levels in the corporation and tied to the value proposition of the organization, long-term



collaborative partnerships with suppliers on the sustainability front lead to important innovations in how work is undertaken, and improvements in supplier worker conditions (Macchion *et al.*, 2018). In a similar vein, Paulraj and colleagues in a study of German firms, find those enterprises that report a moral obligation to engage in sustainability efforts, outperform their counterparts that do not (Paulraj *et al.*, 2017). Expanding research efforts to understand how different units, and organizational leadership, engage with the duty-bearer role can provide insight on how social sustainability efforts with suppliers are situated in broader decision-making related to customer needs, risk, and other operational goals (Difrancesco *et al.*, 2022; Miemczyk and Luzzini, 2018).

## **Conclusion**

We examined the approaches lead firms adopt to achieve their social supply chain sustainability goals. While codes of conduct have changed little over the last decade, we do observe considerable diversity in how firms engage with supply chain partners on compliance. For example, some pursue individual efforts, while others undertake roundtable initiatives to standardize monitoring processes and share supplier information. The latter helps reduce system-wide transaction costs and frees resources for more targeted interventions. Lead firms increasingly augment their transactional approach, with capacity-building relational mechanisms to attain enhancements in both employment conditions and to link operational benefits for the supplier and lead firms.

We observe some lead firms moving beyond efforts bounded by the buyer-supplier relationship and toward direct engagement with the workers in their supply chains. Underpinning this shift is a recognition by these firms that workers have inalienable human rights. In their

duty-bearer role, firms introduce initiatives to educate and empower workers to directly advocate for their rights. This extends the assurance of labor rights and conditions beyond compliance to areas not traditionally covered by audits and assessments. It broadens the conversation of what OSCM success looks like to an important set of new goals and performance metrics, and expectations for managerial action. We encourage further work examining the interplay of lead firms, suppliers, and the workers themselves in promoting social sustainability.

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**Table I. Clauses in Supplier Codes of Conduct** <sup>a, b, c</sup>

|  | USA<br>(%) | UK<br>(%) | UK 2007<br>(%) |   | USA<br>(%) | UK<br>(%) | UK 2007<br>(%) |
|--|------------|-----------|----------------|---|------------|-----------|----------------|
| <b>Legal Requirements</b>                          | 97         | 97        | 75             | <b>Health and Safety</b>                                    | 91         | 100       | 75             |
| <b>Child Labor</b>                                 | 86         | 79        | 68             | Health & safety training                                    | 10         | 21        |                |
| Over 18 at night or in hazardous conditions        | 19         | 33        |                | Physically demanding work                                   | 9          | 0         |                |
| Promote special interest of employees under 18     | 2          | 11        |                | Emergency prevention  | 20         | 0         |                |
| Student worker protection                          | 2          | 0         |                | Incident management   | 17         | 10        |                |
| <b>Forced or Involuntary Labor</b>                 | 83         | 77        | 66             | Prohibition of drugs and alcohol                            | 9          | 0         |                |
| Entitlement to work                                | 8          | 8         |                | Prohibition of weapons                                      | 4          | 0         |                |
| Coverage of migrant labor                          | 2          | 6         |                | <b>Abuse and Harassment</b>                                 | 78         | 80        | 52             |
| Agency labor (meet legal requirements)             | 3          | 6         |                | <b>Fair and Equal Treatment / Discrimination</b>            | 89         | 94        | 68             |
| Temporary and outsourced labor within legal limits | 3          | 2         |                | <b>Freedom of Association / Collective Bargaining</b>       | 66         | 65        | 64             |
| Prohibition of deposits or identity papers         | 24         | 27        |                | <b>Training</b>   | 10         | 11        |                |
| Homeworkers  | 0          | 3         |                | <b>Accommodations</b>                                       | 15         | 18        |                |
| <b>Regular Employment</b>                          | 1          | 25        |                | <b>Land Rights/ Acquisition</b>                             | 1          | 5         |                |
| <b>Formal Employment Contract</b>                  | 6          | 18        | 14             | <b>Proprietary Information and IP</b>                       | 58         | 48        |                |
| Coverage of all direct/indirect workers            | 2          | 3         |                | <b>Ethical Business Practices</b>                           | 88         | 79        |                |
| Flexible working arrangements                      | 0          | 2         |                | <b>Employee Communications</b>                              | 20         | 47        |                |
| Information on hidden workers                      | 0          | 2         |                | <b>Subcontracting</b>                                       | 41         | 47        | 45             |
| <b>Human Rights</b>                                | 82         | 88        |                | Prior consent   | 5          | 5         |                |
| <b>Wages and Benefits</b>                          | 78         | 72        | 57             | Communication and adherence of code                         | 31         | 18        |                |
| Discretionary income                               | 1          | 15        |                | <b>Environment</b>  | 85         | 91        | 68             |
| No deduction of wages as a disciplinary measure    | 9          | 18        |                | <b>Quality and Improvement</b>                              | 25         | 30        | 30             |
| Paid in timely manner                              | 7          | 0         |                | <b>Inappropriate Use of Social Media</b>                    | 4          | 0         |                |
| <b>Working Hours and Leave</b>                     | 75         | 68        | 48             | <b>External Communications</b>                              | 6          | 0         |                |
| Overtime is voluntary                              | 11         | 27        |                | <b>Monitoring and Enforcement</b>                           | 51         | 76        | 52             |
| Overtime paid at premium rate                      | 9          | 23        |                | <b>Whistle-blower Protection &amp; Anonymous Complaints</b> | 58         | 52        |                |
| Overtime paid in accordance to local law           | 3          | 0         |                |   |            |           |                |

<sup>a</sup> Sample size: USA (n=193), UK (n=52), UK 2007 (n=43)

<sup>b</sup> 2007 data for a subset of clauses from a sample of UK FTSE 100 firms collected by Preuss (2009).

<sup>c</sup> We explored whether there were differences by industry and by country. Firms in food and apparel industries generally showed higher coverage on basic human rights issues, such as the prohibition of child and forced labor, as well as compliance to wage and benefit agreements and limitations on subcontracting. Construction and mining showed a comparatively low percentage of item coverage. Firms listed in the UK exhibit stronger emphasis on employment conditions (e.g., regular employment and the use of formal contracts), relative to US firms. Additional clauses unique to US supplier codes of conduct include emergency response planning and the prohibition of drugs, alcohol, and weapons.



**Table II.** Primary Corporate Interviewee Characteristics and Other Data Sources

| Title                                      | Industry  | Country | Experience in Role |
|--|---|---------|--------------------|
| Human Rights Strategist                    | Electronics   | U.S.    | 12 years           |
| Responsible Supply Chain Manager           | Mining  | U.K.    | 11 years           |
| Global Sourcing Director                   | General Retailer  | U.S.    | 14 years           |
| Responsibility Program Director            | Apparel   | U.K.    | 8 years            |
| Chief Sustainability Officer               | Food  | U.S.    | 10 years           |
| Director of Global Sustainability          | Automotive  | U.S.    | 12 years           |
| Social Compliance Officer                  | Apparel   | U.K.    | 7 years            |
| Human Rights Officer                       | Electronics   | U.S.    | 13 years           |
| Supply Chain Senior Sustainability Manager | Electronics   | U.S.    | 8 years            |
| Head of Social Compliance                  | General Retailer  | U.K.    | 2 years            |
| Vice President of Sustainability           | Apparel   | U.S.    | 11 years           |
| Ethical Sourcing Manager                   | Apparel   | U.K.    | 3 years            |
| Senior Sustainability Manager              | Food  | U.K.    | 9 years            |
| Director of Responsible Supply Management  | Medical   | U.S.    | 10 years           |
| Vice President of Sustainability           | Agriculture   | U.S.    | 13 years           |
| CSR Manager                                | Food  | U.K.    | 2 years            |
| Vice President of Sustainability           | General Retailer  | U.S.    | 15 years           |
| Vice President of Corporate Affairs        | Agriculture   | U.S.    | 11 years           |
| Senior Sustainability Director             | General Retailer  | U.S.    | 17 years           |
| Director of Supply Chain Responsibility    | Electronics   | U.S.    | 9 years            |
| Vice President of CSR                      | General Retailer  | U.K.    | > 20 years         |
| Responsible Sourcing Manager               | General Retailer  | U.S.    | 1 year             |
| <b><i>Other Data Sources</i></b>           |   |         |                    |
| Consultant interviews                      | Interviews with 7 CSR consultants, representing 12 global multi-stakeholder initiatives; average interview length: 75 minutes |         |                    |
| Supplier codes of conduct                  | 245 supplier codes of conduct   |         |                    |

**Table III.** Approaches to Social Sustainability in Global Supply Chains

|                             | <i>Primary Actors</i>                      | <i>Governance and Power Distribution</i>                                      | <i>Key Activities</i>   | <i>Integration of Primary Actor Interests</i>  | <i>Outcome Goals</i>   |
|-----------------------------|--|---|---|--|--|
| Transactional Approach      | Lead firms (individually and collectively) | Transactional governance;<br>Asymmetric power relations                       | Monitoring and enforcement of supplier obligations<br>- Collective action and standardization                             | Focus on risk mitigation;<br>Limited alignment of interests between buyers and suppliers                           | Buyer:<br>- Reduced transaction costs<br>- Increased leverage over supplier compliance   |
| Relational Approach         | Lead firms<br>Supplier management          | Relational governance;<br>Improved power balance between buyers and suppliers | Targeted supplier capacity-building<br>- In-house auditing<br>- Embedding social responsibility into purchasing practices | Improved integration within lead firm;<br>Increased congruence of goals and interests between buyers and suppliers | Buyer & Supplier:<br>- Enriched communication and contextual understanding<br>- Increased buyer understanding and joint problem-solving<br>- Improved worker conditions and supplier performance |
| Human Rights-based Approach | Lead firms<br>Workers                      | Bottom-up processes;<br>Empowerment of workers via duty-bearer efforts        | Worker training and empowerment<br>- Educating workers as rights-holders<br>- Empowering workers as rights-holders        | Recognition of worker needs in social sustainability efforts   | Buyer & Supplier:<br>- Improved social performance<br>- Increased employee attraction and retention<br><br>Workers:<br>- Increased understanding and influence over working conditions           |

## <sup>1</sup>Notes

<sup>1</sup> We reviewed the online presence of each firm and 255 indicated that their suppliers are subject to a proprietary code of conduct. Of these 255 firms, 243 firms provided their codes of conduct online. We contacted the investor relations departments for all remaining firms: two provided a proprietary code; four declined to share their codes, 42 indicated they embed their supplier expectations in a broader business code of conduct; 22 indicated they do not have a proprietary code and rely on International Labor Organization (ILO) standards or other industry-wide guidelines such as the Electronics Industry Citizenship Coalition (EICC) code; and 173 firms did not respond to our initial and follow-up requests. The proportion of firms with supplier codes of conduct identified in our sample set (52%) mirrors closely the percentage of firms indicating in dichotomous form that they have a supplier code of conduct in a recently reported sample of 1846 companies in Bloomberg (Altura *et al.*, 2021).