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What produces corporate social irresponsibility in offshore outsourcing? The effects of interorganizational relationship governance and institutional distance

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Abstract
We theorize on how institutional distance and interorganizational relationship (IOR) governance interact to produce corporate social irresponsibility (CSiR) in offshore outsourcing. Managers generally find it challenging to align practices with stakeholders' responsibility expectations and more so when activities occur offshore and outside organizational boundaries. This is evident from Apple's repeated problems in China but insufficiently understood in international business (IB) literature. Institutional distance increases the likelihood and severity of CSiR because it produces a gap in buyers' and suppliers' stakeholder expectations and leads to divergence between suppliers' practices and buyers' responsibility policies. Trust-based cooperative IORs reduce CSiR and lessen the effect of institutional distance on CSiR. Supplier dependence also reduces CSiR but increases the effect of institutional distance on CSiR and is therefore a double-edged sword. Our novel framework generates insights into CSiR, a dark side of IB, by uncovering the mechanisms that co-produce CSiR in the offshore outsourcing context. We enrich work on offshore outsourcing by suggesting that CSiR represents a hidden cost and advance multilevel theorizing in IB by showing how institutional distance interacts with IOR governance. Managers should consider the tradeoff between performance and CSiR in offshore outsourcing and the downside that comes from (over)exploiting supplier dependence.

Keywords Corporate social irresponsibility · Institutional distance · Interorganizational relationship governance · Offshore outsourcing · Interorganizational dependence · Trust-based cooperative relations

Introduction

Despite its efforts to improve suppliers' practices, Apple has been criticized for labor issues at various suppliers in China since 2007 (Financial Times, 2023). In early 2021, Apple was for instance subjected to a great deal of media coverage for the use of forced labor in its supply chain (Bloomberg, 2021). As a result, stakeholders have wondered whether Apple, a respected company that holds significant bargaining power over suppliers and claims to work together with them to improve practices, could and should do more to avoid instances of corporate social irresponsibility (CSiR) (Lee et al., 2016). CSiR occurs when performed practices do not meet stakeholders' responsibility expectations, and typically conflict with one or more of the United Nations' Sustainable Development Goals. Recent research on CSiR in the international business (IB) context has improved our knowledge and understanding of this "dark side of IB" by discussing how CSiR should be understood in the IB context

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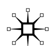
(e.g., Brammer et al., 2021) as well as the main drivers of CSiR (e.g., Keig et al., 2015). Other work has analyzed how national institutions influence corporate social performance and how avoiding CSiR becomes more challenging as the degree of internationalization increases (Marano & Kostova, 2016).

However, the literature has not sufficiently captured the additional CSiR challenges that arise in the IB context, especially in offshore outsourcing. These challenges are the result of a lack of control over external suppliers as well as cross-country differences that produce different expectations and complicate management. These factors, in turn, negatively affect outcomes in the four main domains of responsibility included in the Global Reporting Initiative (GRI): the natural environment, labor practices, human rights, and impact on society. The IB literature generally focuses on the influence of home and host institutions (Kostova & Zaheer, 1999), but not the nature of the interorganizational relationships that emerge in offshore outsourcing between onshore buyers and their offshore suppliers. Even studies that take this relationship into consideration (e.g., Narula, 2019; Zhou & Xu, 2012) do not provide a full understanding of how institutions and relationship characteristics might interact to produce CSiR outcomes. The literature on interorganizational relations (i.e., interorganizational relationships (IORs) and offshore outsourcing) has not paid much attention to CSiR outcomes.

We suggest that these streams of literature should be connected to enhance our understanding of the problem of CSiR in offshore outsourcing for several reasons. On a practical level, the Apple example as well as other well-documented cases, such as the Rana Plaza collapse in Bangladesh (Schuessler et al., 2023), IKEA (Maignan & Hillebrand, 2002), and Nike (Lim & Phillips, 2008), demonstrate that CSiR in offshore outsourcing has clear, negative consequences for firms and a variety of stakeholders, and is a complicated issue for managers even in firms that focus on collaboration and hold bargaining power over their suppliers. The puzzle of CSiR in IB also has conceptual implications. CSiR is not only a type of intermediate outcome that affects other outcomes, such as reputation and financial performance, but it is also to be avoided on intrinsic, moral grounds (Aguilera et al., 2007). Therefore, theories must explain whether and how desired responsibility outcomes can be ensured when firms rely on outside suppliers in distant countries, where it is inherently more challenging to effectuate actions. Institutional distance has well-understood effects on a firm's ability to achieve desired outcomes. In addition, firms in IORs face information asymmetries, power asymmetries, and differing incentives. If we do not understand how the simultaneous occurrence of these conditions shapes outcomes such as CSiR, we will not be able to accurately predict such outcomes.

Therefore, this paper's central research question is the following: *How do institutional distance, the governance of interorganizational relationships, and the interaction of these factors help explain CSiR in offshore outsourcing?* We construct a novel conceptual framework to answer this research question, which we hope will stimulate future empirical work. To this end, we first discuss CSiR, and review how it is affected by national institutions and IOR governance. The framework suggests a number of specific effects. Institutional distance produces a gap in the buyers' and suppliers' stakeholder expectations. This gap can be viewed as a pre-condition for CSiR. Institutional distance also leads to a divergence between suppliers' practices and buyers' responsibility policies. Cooperative IORs and the dependence of the supplier on the buyer reduce CSiR. Cooperative IORs lessen the effect of institutional distance on divergence between practices and policies, while supplier dependence increases this effect. This counterintuitive insight, that the common practice in offshore outsourcing of using highly dependent suppliers is a double-edged sword, helps to explain why so many companies struggle with CSiR.

Our paper makes three main contributions. First, we contribute to the literature on CSiR in IB and beyond by uncovering the mechanisms that co-produce CSiR in the complex context of offshore outsourcing. This stands in contrast to extant work on CSiR, which typically considers only one dimension at a time (institutional, e.g., Keig et al., 2015; Walker et al., 2019; interorganizational, e.g., Zhou & Xu, 2012), instead of integrated insights for both dimensions. Notably, the IB literature contains calls for more studies on CSiR as one of the dark sides of IB (Ghauri et al., 2021). Our paper responds to those calls by laying out how the effects of institutional distance may be moderated by IOR governance, thereby advancing theorizing in this area. Second, we enrich work on offshore outsourcing, which has underemphasized CSiR, even though CSiR represents a hidden cost (cf. Larsen et al., 2013) of offshore outsourcing. Our analysis suggests that this hidden cost may have to be traded off against more traditional performance metrics, such as production costs and innovation. Third, we contribute to multilevel theorizing in IB. Researchers have recently called for an improved understanding of how factors across multiple levels interact with each other in IB (Aguilera & Grøgaard, 2019) and, specifically, in CSiR (Cuervo-Cazurra et al., 2021). Our theoretical framework, which responds to this call, shows how formal and informal institutional distance interacts with IOR governance.



Stakeholders' responsibility expectations and practices

We follow Brammer et al., (2021: 304) by formally defining CSiR in an international context as "claims of stakeholder impairing behavior ascribed to organizations following perceived or substantive inter/intra-organizational (in)actions which diverge from stakeholder expectations, rules of law and/or institutional logics in home or host market(s)." In an outsourcing context, the focal behaviors include those of the firm's suppliers. In line with this definition, our literature review aims, first, to provide an understanding of the expectations of firms' stakeholders, which we refer to as "responsibility expectations." Second, it provides insights into determinants of the extent to which a supplier's practices are socially irresponsible. We then investigate the extant literature on the specific roles of institutions and IORs in shaping these expectations and practices.

Expectancy is the central construct of expectancy violations theory (EVT; see Burgoon, 1993), a theory of communication. It is defined as an "enduring pattern of anticipated behavior" (Burgoon, 1993: 31). EVT's central proposition is that expectancies, which are grounded in social norms, work to ensure actors exhibit the anticipated behaviors. This is a universal principle, although the actual expectancies in a given situation are shaped by the characteristics of the communicators (i.e., senders and recipients), their relationship, and contextual factors (e.g., environmental constraints, definitions of the situation) (Burgoon, 1993). We draw on EVT to understand why stakeholders might object to particular practices of a firm and its suppliers.

A misalignment between stakeholders' responsibility expectations and suppliers' practices (i.e., CSiR) often leads to problematic outcomes (Nardella et al., 2020) and is, thus, something organizations seek to avoid. Previous studies suggest that CSiR may have adverse effects on the firm's reputation (Nardella et al., 2020), and that these effects may increase over time (Flammer, 2013). Firms that engage in offshore outsourcing also contribute to problems in developing countries (Narula, 2019). Given these negative consequences of CSiR, demands for collective practical and scholarly efforts to address this grand challenge, and for companies to embrace sustainable development goals are increasing (Aguilera et al., 2022; Montiel et al., 2021; Schuessler et al., 2023).

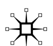
The benefits of corporate social responsibility (CSR) (i.e., "do-good" behaviors) for organizations are limited (Flammer, 2013), and minimizing CSiR appears to be a more important objective for most organizations than optimizing CSR (Hawn, 2021). While we acknowledge that CSR and CSiR are not mirror images (Clark et al., 2022), the literature on CSR still provides useful guideposts for studying CSiR, such as the need to focus on organizational-level stakeholder expectations and CSR practices (e.g., Bundy et al., 2012). The extant literature clearly distinguishes between the responsibility expectations an organization faces and its practices (Campbell, 2007: 950). Consistent with EVT, we know that responsibility expectations are shaped by a wide variety of country-, industry-, and organizational-level contextual factors (Aguilera et al., 2007). For instance, firms meeting those expectations, including multinationals, are more likely to gain legitimacy (Kostova & Zaheer, 1999). Hence, researchers generally agree that firms' practices are responses to stakeholders' expectations (Park et al., 2014). However, the literature also reveals that expectations and practices are often misaligned. As explanations for CSiR extend beyond the national institutional and interorganizational levels which we focus on in this paper, we point to other levels of analysis in the discussion section, in line with past research such as Aguilera et al. (2007) who offer multi-level theorizing on firms' motives for CSR engagement, although their work does not analyze interorganizational settings.

Effects of national institutions

Differences in national institutional contexts are crucial determinants of firms' decisions and performance outcomes. The IB literature offers numerous studies of cross-country differences in institutions, especially formal institutions (Dau et al. 2022: 1258). Drawing mainly from institutional theory, these studies aim to uncover the effects of institutional distance on, for instance, firms' entry-mode choices (e.g., Hernández & Nieto, 2015) and subsidiary management (e.g., Salomon & Wu, 2012). There are several strands of institutional theory in IB (Aguilera & Grøgaard, 2019: 21) and our approach mostly follows the neo-institutional perspective of Scott (2013) and others with a central focus on obtaining and maintaining legitimacy.

The literature suggests that institutions—the "stable collections of rules and routines that define actions" (March & Olsen, 1989: 160) —are important for determining the level and type of responsibility (Campbell, 2007). From an institutional perspective, firms must pursue practices that are viewed locally as legally, normatively, and/or culturally responsible in order to obtain and maintain external legitimacy. The extant literature suggests that firms operating in multiple institutional contexts are exposed to a wide range of competing and conflicting institutional demands (Marano & Kostova, 2016).

Campbell (2007) posits that institutional contexts create socially accepted paradigms of responsibility in a country.



Studies indicate that some institutions foster responsible behaviors (Carroll, 1979), while others encourage irresponsible behaviors (Ioannou & Serafeim, 2012). Given the correlation between economic development and the strength of formal institutions, most well-known examples of CSiR involve buyers from developed countries with stronger institutions and suppliers from emerging or developing countries with weaker institutions, which creates institutional distance.

Notably, we find an increasing emphasis in the literature on the effects of informal institutions on a firm's practices (Ioannou & Serafeim, 2012), as practices are generally "culturally specific" (Rouse, 2007: 499). Caprar and Neville (2012) underscore the critical role played by culture in making sense of and complying with formal institutions. Given the relatively stable, path-dependent evolution of the national institutional factors that determine responsibility expectations, the implementation of responsible practices when offshoring activities can be challenging. This is a central assumption among scholars examining this issue. Kostova and Zaheer (1999) highlight the complexity of undertaking practices across institutional contexts owing to differences in responsibility expectations, which subsequently lead to differences in countries' willingness and capacity to tolerate practices. For firms to gain external legitimacy abroad and avoid CSiR, they must address host-country social issues and think beyond domestic institutional boundaries. But CSiR can become a byproduct when firms apply different standards and policies to different national contexts in order to either deliberately take advantage of relatively weak institutions (i.e., institutional arbitrage; Surroca et al., 2013) or make use of better locations (Lee et al., 2020).

On the other hand, researchers have noted that firms often transplant practices within their internal networks ignoring local peculiarities, partly as a result of pressure from powerful stakeholders at home and the pursuit of transnational legitimacy (Marano & Kostova, 2016). Notably, however, the policies designed to meet buyers' stakeholders' responsibility expectations usually require offshore suppliers to exceed the "normal" expectations arising from their own country's institutions and to deviate from culturally accepted practices. This makes the transfer and implementation of responsible practices across borders arduous and costly for buyers and suppliers.

Effects of interorganizational relationships

Outsourcing and offshoring constitute separate, yet related, decisions (Bertrand & Mol, 2013). Consistent with the extant literature (Bertrand & Mol, 2013), we define offshore outsourcing as a buyer's procurement of inputs from an independent supplier based in another country. The trend towards increased outsourcing and offshoring has been driven by profound technological and institutional change (Bertrand & Mol, 2013). When firms outsource an activity to an external supplier, desired responsibility outcomes need to be achieved within the IOR. Logically, this brings the nature of the relationship between the parties into focus. After adding the offshoring dimension, desired CSR outcomes must be achieved across geographical borders, implying a need to study differences in national institutions between onshore and offshore locations.

The additional challenges in managing CSiR should be interpreted as a hidden cost of offshoring and outsourcing strategies (e.g., Larsen et al., 2013). Hidden costs are "implementation costs that are not anticipated in the various stages of strategic decision making" (Larsen et al., 2013: 534) and can call the rationale behind a firm's strategic decisions into question. However, scholarly work on outsourcing and offshoring has not considered CSiR challenges in detail. Instead, it has focused on more traditional performance outcomes, such as financial performance and innovation (e.g., Bertrand & Mol, 2013).

Notably, some research has investigated responsibility in vertical, interfirm relationships. The adoption of responsibility in supply chains, often labeled "upstream CSR," emerged in conjunction with increasing stakeholder pressures following CSiR incidents in developing countries (Waddock et al., 2002). As a consequence, more firms established codes of conduct and required supplier compliance (Frenkel & Scott, 2002). However, enforcing these codes has proven challenging in practice, especially between legally independent organizations (Egels-Zandén, 2014). Instead, compliance depends on the IOR's governance.

There is a long-standing tradition of studying various aspects of IORs within a single country, universally (e.g., Dyer & Singh, 1998) and, to some extent, with partners from two different countries (e.g., Abdi & Aulakh, 2012). Buyer–supplier relationships are a prominent type of IOR that has received a great deal of attention in the supply chain management (e.g., Brito & Miguel, 2017), organization theory (e.g., Dyer & Singh, 1998), and to a lesser extent, IB (e.g., Zhou & Xu, 2012) literature. The two key relational traits IOR literature looks at are the level of trust-based cooperation and power exerted through interorganizational dependence (cf. Luhmann, 1979).

Trust has been shown to arise from three distinct sources (Zucker, 1986): processes of engagement between two parties, personal characteristics that may be socially embedded, and institutions. The latter suggests that trust is harder to develop in an offshoring context given institutional differences (Ertug et al., 2013), although parties in a relationship can develop mutual trust over time (Gulati, 1995). The strategic management literature indicates that trust is key for performance improvements and competitive advantages in IORs. The relational view suggests that trust can help

generate relational rents in IORs thanks to reduced transaction costs (Dyer & Singh, 1998). Specifically, trust decreases the possibility of opportunistic behavior, reduces reliance on formal contracts, and enables parties to become more adaptive (Zhou & Xu, 2012).

However, parties involved in a relationship typically differ in their dependence on that relationship. Resource dependence theory, first proposed by Pfeffer and Salancik (1978), argues that the need for resources from the external environment, including financial resources, human resources, and information, creates a dependence on outside parties. This theory further suggests the existence of an inverse relationship between dependence and power (Emerson, 1962). When power is unevenly distributed in a relationship because of a disparity in dependence, the party holding the most power is likely to exert it to pursue its own interests (Emerson, 1962). Moreover, upon identifying an issue, organizations must always choose between continuing in a relationship by voicing their concerns or exiting from that relationship (Hirschman, 1970). When the more powerful party is a buyer, which is the typical scenario in offshore outsourcing, a higher level of compliance from suppliers is expected (Gereffi et al., 2005) and lack of compliance can induce a buyer's exit from the relationship.

Towards a theory of CSIR in offshore outsourcing

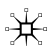
We seek to build a theory on the occurrence of CSiR in offshore outsourcing, which amounts to understanding the conditions under which the practices of offshore suppliers do not meet the expectations of buyers' stakeholders. Stakeholders are usually divided into two categories: primary and secondary. Primary stakeholders include employees, customers, suppliers, and communities while governments, media, local communities, and non-governmental organizations (NGOs) are classified as secondary stakeholders (Park et al., 2014). While these stakeholders are broadly expected to influence the firm in one way or another, different stakeholders have distinct impacts and the "composition of stakeholders" may differ (Dmytriyev et al., 2021: 4). The salience of stakeholders rises in line with their power, legitimacy, and urgency, which are heterogeneous (Amis et al., 2020).

Offshore outsourcing encompasses a distinction between the *onshore stakeholders* that the buyer firm faces at home and the *offshore stakeholders* faced by the supplier firm (i.e., in the host country). Large and/or multinational buyer firms also face scrutiny from *global stakeholders*, such as NGOs and the international media (Campbell, 2007). Some global NGOs can influence institutions, and mobilize activists and the media (Campbell, 2007), and the media serves as an information source for primary stakeholders and influences how those stakeholders make sense of corporate practices (Zavyalova et al., 2017). These secondary, but influential, stakeholders increasingly exert pressure on firms to improve their practices across borders and throughout their value chains (Narula, 2019). EVT predicts that the communicators themselves and the relationship they form matter for communication purposes. Hence, these different stakeholder types must be considered separately when theorizing about the potential effects of institutional distance on stakeholders' responsibility expectations.

It is also useful to consider the relationship between expectations and practices. First, expectations and practices are not constant over time. The expectations a firm faces about its "anticipated behavior" can change as a result of shifts in its stakeholder set or incidents involving other firms in the industry. Practices change because of, for instance, changes in overall demand in the marketplace. Second, expectations and practices mutually affect each other over time (Waddock et al., 2002). Previous instances of CSiR may lead stakeholders to have lower practice-related expectations if they start to recognize that doing business in weaker institutional environments can produce problems. However, as Apple has experienced, CSiR can also harden stakeholders' views and subject organizations to more scrutiny.

Before discussing the specific factors that help predict the occurrence of CSiR, it is important to clarify the *process* through which a problem emerges and is managed. Building on Sethi's (1979) pioneering work on how businesses respond to social issues that occur in their environment, we suggest a three-stage model consisting of: (1) the *pre-problem stage* during which discrepancies arise between stakeholders' responsibility expectations and practices; (2) the *problem-identification* stage during which the misalignment between responsibility expectations and practices is identified; and (3) the *problem-management* stage during which actions are taken to alter practices to potentially reduce that misalignment. These phases occur sequentially—that is, problem identification can only happen if the pre-problem stage leads to the emergence of problems and problem management is only possible if a problem has been identified. Nonetheless, after the process starts, it can become recursive (e.g., better problem management may require a problem to be identified in more detail). In our theorizing, we use these stages to identify when certain effects and arguments apply.

Two sets of responsibility expectations—those of the buyers' stakeholders and those of the supplier's stakeholders—exist in the pre-problem stage. Discrepancies in buyers' and suppliers' practices are likely, as both seek to align their practices with the respective set of expectations. Managers use *cognitive processing* to make sense of and understand these stakeholder expectations, and the organization develops practices based on that cognitive processing (Bundy et al., 2012). However, cognition is subject to limitations.



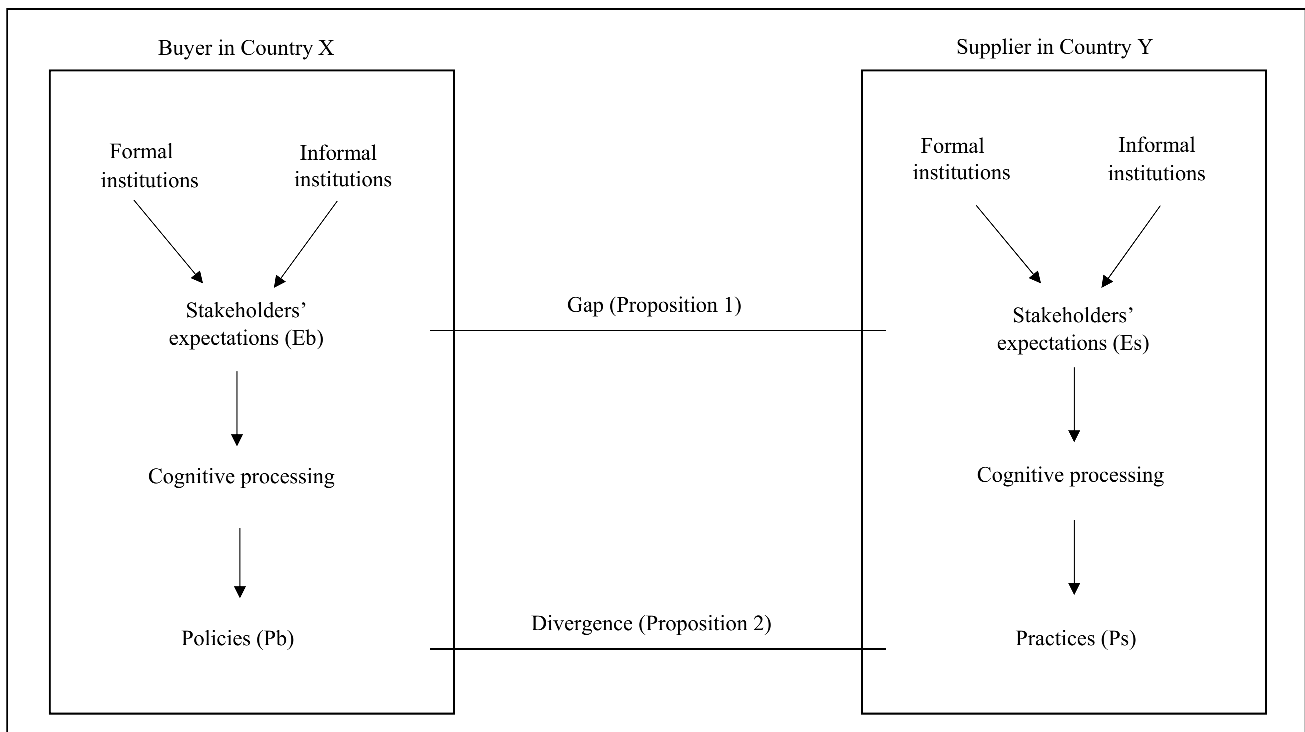
Moreover, in an interorganizational context, a supplier may initially have no, or only limited, knowledge of the buyer's stakeholder expectations. Improvements in that knowledge require effort and generally occur indirectly through policies, such as the buyer's code of conduct. Given cognitive limitations, these multifold translation steps can lead to problems. For instance, Apple's supplier could reduce the number of working hours in response to Apple's policy, but this could worsen working conditions to such a point that workers may not even be able to take a bathroom break. If such a situation is recognized, problem identification starts. Apple may realize that the supplier has wrongly treated its employees by not providing acceptable working conditions. Any action taken to address this problem occurs in the problem-management phase. A drastic solution could be for Apple to require the supplier to improve working conditions or face relationship termination.

Offshoring context: Effects of institutions on expectations and practices

The literature has extensively discussed how national institutions can affect an organization's ability to achieve the desired responsibility outcomes (Marano & Kostova, 2016). We therefore examine how such institutional conditions affect CSiR. Differences in institutional conditions are typically viewed in terms of *institutional distance*—that is, the degree of institutional (dis)similarity between two countries (Kostova & Zaheer, 1999). We argue that the offshoring context entails institutional distance, which can produce CSiR because of initial gaps in the (ir)responsibility expectations of onshore, global, and offshore stakeholders (Proposition 1); and the divergence between supplier's practices and buyer's policies (Proposition 2).

We summarize these two propositions in Fig. 1. In offshore outsourcing, CSiR occurs when: 1) there is a gap between the buyer's stakeholder expectations and the offshore supplier's stakeholder expectations (Eb > Es), and 2) the supplier's practices, as shaped by its stakeholders' expectations, diverge from the buyer's policies, which are driven by its onshore and global stakeholders (Pb > Ps). In this paper, we focus only on cases in which the buyer's stakeholder expectations exceed those of the supplier's stakeholders. While the reverse also happens in practice (Es > Eb), it does not lead to CSiR.

Buyer and supplier firms face different responsibility expectations because their internal and external contexts vary. Differences in responsibility expectations may be quantitative (i.e., expectations vary in stringency) or qualitative (i.e., expectations focus on different CSR priorities).



In general, CSiR occurs if E > P.
In an offshore outsourcing relationship, CSiR occurs if Eb > Es and Pb > Ps.

Fig. 1 CSiR in offshore outsourcing

On an overarching level, these qualitative differences refer to the four main aspects of the GRI (i.e., environment, labor practices, human rights, and impact on society). On a more detailed level, they could, for instance, refer to a different emphasis on workers' safety versus their right to privacy. Stakeholders shape their expectations of a firm based on the information available to them (e.g., country of origin, industry, and firm reputation). Some expectations, referred to as "hypernorms" by Donaldson and Dunfee (1999: 46), are universally accepted. Practices that contradict hypernorms always constitute transgressions and fall outside of our theorizing. However, most expectations are in the "gray zone" (Donaldson & Dunfee, 1999: 45), where they may be contested because the country of origin informs stakeholders' views of the formal and informal institutions with which the firm is expected to conform.

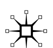
Carroll (1979) posits that rules and regulations are the "ground rules … under which business is expected to operate" (p. 500). In other words, formal institutions provide minimum thresholds for responsible behavior. Formal institutions include the legal and technical standards with which firms are expected to comply; on a practical level, they may include a wide variety of specific institutions that are relevant to the shaping of responsibility expectations, such as labor laws that were broken in the case of Apple or the building regulations that were not adhered to in the Rana Plaza case. For some stakeholders, an understanding of formal institutions is particularly important, as those institutions define and affect the way stakeholders and organizations interact (Aguilera & Jackson, 2003). As firms from developed economies are governed by relatively strong formal institutions (Narayanan & Fahey, 2005), they often face high expectations from their stakeholders.

However, when formal institutions are absent, unstable, or weak, as is often the case in emerging markets, informal institutions may play a dominant role (Narayanan & Fahey, 2005). Informal institutions, such as culture, significantly affect how responsibility is valued and perceived within a country and therefore serve as a foundation for a country's ethical standards, but they often remain unstructured and even "undetected" (Andrews et al., 2022: 1179). Moreover, informal institutions are implicit and less likely to be available in a codified form, in contrast to formal institutions that external stakeholders, even those from another country, can easily access and understand (Keig et al., 2015). Hence, stakeholders who are unfamiliar with a national context will find it more difficult to base responsibility expectations on that country's informal institutions.

Differences in the responsibility expectations faced by a buyer and a supplier increase the likelihood and severity of CSiR, which is particularly relevant in the pre-problem stage of the process model. A buyer's stakeholders are often ignorant of the national institutions in a supplier's country, and the more limited a buyer's knowledge, the more it tends to shape responsibility expectations based on its own (institutional) context. In addition, the offshore side's ability to fully understand onshore stakeholders' responsibility expectations declines with increasing institutional distance (Kostova & Zaheer, 1999). Nevertheless, more knowledgeable and proactive buyer stakeholders may develop some tolerance and adjust their expectations if they recognize that the supplier operates in an emerging- or developing-economy context where relevant rules and their enforcement are less stringent. Since the 1990s, the public has been repeatedly informed about poor working conditions in developing countries. Although many are against sweatshops, some have concluded that a factory job is one of the best alternatives given the local conditions and that such work is a "common practice" (The New York Times, 2017). In Fig. 1, this adjusted level of knowledge produces a feedback loop from Ps to Eb. Similarly, if the supplier's stakeholders have some insights into the buyer's policies (Pb) from prior experience or otherwise, they can take that experience into account when presenting their expectations (Es) for the supplier's practices. Nonetheless, such corrections will never be perfect. Therefore, in the pre-problem stage, institutional distance increases the discrepancies between buyers' and suppliers' stakeholder responsibility expectations. This leads to our first proposition:

Proposition 1. *Institutional distance produces a gap in the responsibility expectations that onshore, global, and offshore stakeholders have for the buyer and the supplier; the wider this gap in responsibility expectations, the higher the likelihood and severity of CSiR.*

Institutional distance may also produce qualitative differences (e.g., the relative importance attached to the natural environment and labor standards) and quantitative differences (e.g., when the offshore country has weaker institutions than the onshore country) in practices. In fact, quantitative differences in practices due to institutional distance constitute one possible driver of the offshoring of activities owing to the phenomenon of *institutional arbitrage* in which firms deliberately locate practices they know to be irresponsible in countries with weak institutions (Surroca et al., 2013). This represents opportunistic behavior on the part of the buyer, and such opportunism is enabled by information asymmetries between stakeholders and the firm (Meyer & Rowan, 1977). *Buyer opportunism* involves the purposeful decoupling of policies and practices. For instance, despite its "high" standards, Apple knowingly maintained a relationship with a Chinese supplier that was



found to use child labor, mainly owing to profitability considerations (Business Insider, 2020). However, as scrutiny from stakeholders increases and transparency improves, this approach may become less viable (Bu, Xu, & Tang, 2023). In fact, firms are increasingly attempting to improve practices in foreign operations (Narula, 2019). Buyer firms, especially larger and multinational firms, typically attempt to do so by introducing policies to enhance compliance. A plethora of policies, including codes of conduct, the GRI, the UN Global Compact, and multi-stakeholder initiatives, are being adopted to this end. These policies are accompanied by multiple enforcement methods, including auditing, monitoring, and sanctions (Narula, 2019). Nevertheless, firms' locally embedded, day-to-day practices often diverge from those policies.

Continued decoupling between policies and practices may also be explained by *supplier opportunism* in which suppliers intentionally violate buyers' policies and hide their irresponsible practices from buyers (Egels-Zandén, 2014). Suppliers, especially those in developing economies with weaker institutions, may lack the ability (in terms of resources) or the willingness to conform to buyers' policies because of lower expectations among their own (offshore) stakeholders and the high costs associated with compliance (Egels-Zandén, 2014). In such cases, information asymmetries occur between buyers and suppliers, causing divergence between buyers' policies and suppliers' practices.

Finally, if firms fail to grasp the nature and consequences of their practices and/or fail to understand stakeholders' responsibility expectations, CSiR may be unintentional (Cuervo-Cazurra et al., 2021) due to a *lack of knowledge* about what the other party's stakeholders expect. This "naïve" failure is driven by managers' cognitive and social abilities, including their cross-cultural skills. For all practical purposes, the three mechanisms—buyer opportunism leading to institutional arbitrage, supplier opportunism due to a lack of resources, and a lack of knowledge resulting from limits in cognition—produce the same outcome of CSiR.

Furthermore, we argue that *formal* and *informal institutions* present different challenges in this context. Formal institutions may be more important in shaping responsibility expectations. Informal institutions may play a more important role in implementation because de facto implementation of de jura rules is driven by the nature of informal institutions (Caprar & Neville, 2012). In fact, studies suggest that informal institutions are particularly important in producing problematic practices that lead to CSiR (e.g., Keig et al., 2015). Informal institutions can neither be clearly codified nor structured (Keig et al., 2015), but these institutions play a critical role in shaping the firm's routines and day-to-day practices. As "rules are not self-interpreting" (Rouse, 2007: 502), whether and to what extent they are (not) observed can depend on an actor's understanding of the rules based on culture and social structure. Caprar and Neville (2012) distinguish between sustainability practices and external pressures and claim that national culture acts as a catalyst for adopting and producing distinct practices.

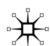
Problem identification becomes more difficult when institutional distance is present due to the subtle and implicit nature of informal institutions, which can prevent a buyer from spotting problems with practices and the supplier from recognizing discrepancies with the buyer's policies. Problem management is also more challenging because of the two competing rule sets. Practices that are highly specific to informal institutions and deeply embedded will be the most difficult to alter. Even if the onshore firm decides to push through corrective action in order to manage a CSiR issue, institutional distance is likely to limit the offshore side's ability to assimilate those practices due to a lack of awareness or a lack of efficiency in implementation (Marano & Kostova, 2016). For example, Apple enforced training and tests at suppliers in order to address health and safety-related issues but video evidence showed this training did not fulfil its purpose because answers were shouted out at employees during a test (Lee et al., 2016). Thus, we propose:

Proposition 2 *The greater the distance between institutions in the onshore and offshore countries, the more a supplier's practices will diverge from a buyer's responsibility policies; the more divergence between practices and policies, the higher the likelihood and severity of CSiR.*

Outsourcing context: Effects of cooperation and dependence

A second set of effects relates to the governance of the buyer–supplier relationship in an outsourcing context. Relationships are managed to achieve goals in two fundamentally different ways. As observed by Luhmann (1979), actors may cooperate because of the alignment of incentives and/or trust. Alternatively, actors may be coerced into action by other actors if they are highly dependent on them and they fear the possible consequences of non-compliance (Luhmann, 1979). This suggests two distinct mechanisms that could help reduce CSiR in an outsourcing context: trust-based interorganizational cooperation and interorganizational dependence.

The characteristics of cooperative relationships include mutual trust, information exchange, joint goal setting, and reciprocity (Dyer & Singh, 1998; Gulati, 1995). These characteristics offer a wealth of opportunities to reduce CSiR in



outsourcing. For instance, through joint goal setting, parties are more likely to work towards responsibility objectives that are agreeable to both sets of stakeholders. Frenkel and Scott (2002) found such a benefit for goal sharing between Adidas and its suppliers. The parties in a cooperative buyer–supplier relationship typically seek long-term relationships and jointly set goals (Locke, Qin, & Brause, 2007). Regular information exchange helps the parties spot potential and actual issues at an early stage (Gulati, 1995). Meanwhile, reciprocity leads the actors in the relationship to commit to improving practices in the belief that the other party will follow suit. Suppliers then make adjustments in their practices, while buyers actively engage in helping suppliers overcome obstacles (Locke et al., 2007).

Still, given the difficulty of building trust across borders (Ertug et al., 2013) and the absence of shared institutional underpinnings, trust in offshore relationships comes from engagement between partners and personal (socially embedded) relationships. This makes the trust more fragile, and could lead one party to be uninformed about, or even "blind" to, events in the partner's country. Blind trust could have negative implications for the occurrence and handling of CSiR. Nevertheless, in buyer–supplier relationships in general, mutual trust has its merits, especially owing to its ability to increase the willingness of both parties to manage new problems (Dyer & Chu, 2003); discourage opportunistic behavior; and reduce transaction costs, including the costs of monitoring (Zhou & Xu, 2012).

In the pre-problem stage, joint goal setting and information exchange can help prevent CSiR because mutual expectations are clear and practices are transparent. Frequent information exchange enables the early identification of problems. In the problem-management phase, joint goal setting and trust can help the parties develop and implement solutions. When a relationship is extended and reiterated based on a mutual desire to enhance responsibility, practices may even develop in an innovative way instead of simply fulfilling the codes of conduct (Frenkel & Scott, 2002). In this sense, nurturing trust-based, cooperative relationships is one way to avoid CSiR in outsourcing.

Dependence works in a fundamentally different way, although we argue that it also helps to reduce CSiR. Supplier dependence often implies a larger buyer representing a substantial part of the sales of a smaller supplier. As such, the loss of that buyer would jeopardize the supplier's performance and, potentially, its survival. Dependence on an external party creates the fear that the external party may impose sanctions or exit the relationship (Hirschman, 1970). Hirschman (1970) proposed that a party in a relationship, such as a buyer in our context, always has a choice between voice (i.e., attempting to improve and correct the other party's behaviors) and exit (i.e., leaving that relationship). Loyalty to the partner (i.e., from a buyer to the supplier) acts as positive moderator on the exit-voice choice, meaning that the more loyalty there is, the less likely an exit decision becomes (Hirschman, 1970). Thus, we posit that fear of exit increases the supplier's efforts (Pfeffer & Salancik, 1978) to align its practices with onshore and global stakeholders' responsibility expectations and the buyer's policies, so as to increase loyalty. For a highly dependent supplier the consequences of exit will be particularly large and therefore such a supplier will make more efforts to increase loyalty (Pfeffer & Salancik, 1978).

In the pre-problem stage, strong supplier dependence will lead that supplier to work to demonstrate compliance with responsibility expectations and other metrics in an audit. In the problem-identification stage, the supplier's dependence will put pressure on that supplier to help identify problems by, for example, cooperating with the buyer's auditing and monitoring processes. Finally, in the problem-management stage, high dependence will prompt the supplier to pursue and implement corrective actions faster and more noticeably. Thus, we propose:

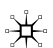
Proposition 3 *The more cooperative a buyer–supplier relationship is, the lower the likelihood and severity of CSiR.*

Proposition 4 *The more dependent a supplier is on a buyer, the lower the likelihood and severity of CSiR.*

The moderating effect of cooperation

We now proceed to look at moderating effects. This raises a key question: Which driver is the most suitable as the moderator and, by extension, which effect is being moderated? In offshore outsourcing decisions, suppliers and countries are selected mainly for performance-related reasons (Bertrand & Mol, 2013), possibly without much consideration of the potential for CSiR. Hence, institutional distance is a given condition for firms in managing CSiR, while interorganizational dependence and cooperation are governance choices that can be strategically managed. Therefore, and in line with managerial agency rationales, we propose that the relationship between institutional distance and CSiR is moderated by IORs.

A second observation is that, logically, we cannot expect individual IORs to affect the gap between the responsibility expectations placed on the buyer by onshore and global stakeholders, and the responsibility expectations placed on the supplier by offshore stakeholders, which leads to CSiR (Proposition 1). These expectations are shaped at a higher level of analysis and by stakeholders who typically lack insights into the specific buyer–supplier relationships in



which the firm is engaged, especially with respect to the governance of those relationships. Those expectations exist outside of the IOR and, generally, these stakeholders do not even know the characteristics of a specific IOR, and even when they do may not be willing to adjust their expectations. Thus, we propose that the moderation occurs on the relationship between institutional distance and divergence between the buyer's responsibility policies and the supplier's practices.

Here also, information exchange, mutual trust, reciprocity, and joint goal setting (i.e., the traits of cooperative relationships) may act as moderators to the relationship between institutional distance and the divergence between buyers' responsibility policies and suppliers' practices. Trust-based cooperation often involves recurring contracts between the two parties. The associated reciprocity works as an incentive to maintain and even internalize responsible practices (Lim & Phillips, 2008). Mutual trust and reciprocity are required if the buyer and supplier firms want to overcome large and costly institutionally determined gaps. Specifically, the establishment of reciprocity and mutual trust can serve as motivation for maintaining a sustainable relationship, crowding out initial institutional arbitrage (i.e., buyer opportunism) motives.

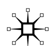
Cooperative relationships are particularly useful when partner firms face complex tasks (Dyer & Singh, 1998) such as the prevention of CSiR in offshore outsourcing. Information exchange enables organizations to bridge gaps by developing an understanding of how institutional distance produces differences in policies and practices. Through regular information exchange, the buyer's understanding of how offshore stakeholders shape the supplier's practices improves, as does the supplier's understanding of how onshore and global stakeholders shape the buyer's policies. Strong mutual trust between companies also enables the timely exchange of complicated information (Dyer & Chu, 2003), such as practices that have not yet been addressed in formal policies but could be viewed as undesirable. Regular information exchange and strong mutual trust improve suppliers' knowledge of buyers' policies and buyers' knowledge of suppliers' practices. Reduced information asymmetries and more transparency limit the supplier's opportunities to behave opportunistically (Wang, Zhang, Wang, & Sheng, 2016). This, in turn, reduces the magnitude of problems and decreases the likelihood of further escalation.

Similarly, joint goal setting clarifies institutional differences and ambiguities, and establishes shared values between the buyer and supplier (Krause, Handfield, & Tyler, 2007). Based on a mutual understanding and increased knowledge of how institutional differences shape policies and practices, joint goal setting helps move practices closer to desired standards. Codes of conduct can for example be reformulated to take the realities on the ground (offshore) into account. Adidas addressed labor issues that were identified in its suppliers' practices by jointly working with those suppliers on an action plan (Frenkel & Scott, 2002). Amaeshi, Adegbite and Rajwani (2016) highlight that even firms in countries with weak institutions can improve their practices if they are properly informed about international norms and sufficiently motivated. Hence, if formal institutions are weak and do not ensure enforcement of codes of conduct, or if informal institutions discourage responsible practices, the development of cooperative relationships can be particularly effective for reducing divergence by enabling and motivating suppliers.

A supply chain like that of Nike encompasses second, third, and even fourth tier suppliers, which often lack resources and tend to have practices deeply rooted in local (informal) institutions. Those practices are costly and difficult to address with buyer-driven solutions, especially when accounting for the length of the supply chain (Narula, 2019). However, Soundararajan and Brown (2016) claim that trust can improve and align practices, with buyers providing required resources and obtaining information across the entire chain. Lim and Phillips (2008) document such effects for Nike, which struggled in the 1990s with allegations that it used suppliers that operated “sweatshops” in institutionally distant offshore countries to manufacture its products. By building cooperative relations with suppliers, guaranteeing minimum monthly orders, and assisting with remediation, Nike addressed suppliers' resource shortages and encouraged them to implement costly practices, such as higher minimum wages and reduced working hours.

Drawing on the above, during the pre-problem stage, information exchange and joint goal setting between partners in a cooperative relationship helps to generate insights into the de facto institutionally determined differences in practices between the onshore and offshore countries. In this stage, reciprocity and joint goal setting encourage a supplier to maintain and even internalize desirable practices. Continuous information exchange also helps during the problem-identification stage because when onshore and offshore managers operate under the same institutional conditions, they can better identify potential areas of concern. In the problem-management stage, mutual trust and reciprocity support efforts to work with and around institutional differences by increasing the belief that the onshore and offshore partners can handle these differences, and by creating incentives to do so. Thus, we propose:

Proposition 5 *A cooperative buyer–supplier relationship negatively moderates the relationship between institutional distance and the divergence between buyers' responsibility policies and suppliers' practices.*



The moderating effect of interorganizational dependence

Unlike cooperation, a supplier's dependence on a buyer does not help bridge institutional distance, as evidenced by IKEA's struggles with child labor among its offshore suppliers (Maignan & Hillebrand, 2002). The company had highly dependent suppliers, but this did not lead to alignment of operating practices with IKEA's stakeholder expectations and company policies. We suggest multiple mechanisms are behind such failures, which align with the three sources of divergence between practices and policies outlined before proposition 2.

First, when buyers are driven by institutional arbitrage (i.e., buyer opportunism) they have limited loyalty to suppliers from the outset and limited interest in learning about the institutions that underpin suppliers' practices, because they chose the offshore country due to its lower costs (from weaker institutions) and without having any long-term commitment to it (Lim & Phillips, 2008). Irresponsible practices will still carry a cost for the buyer, but this kind of buyer assesses the associated cost to be relatively low. When there is simultaneously high supplier dependence, the supplier will feel compelled to follow the buyer's priorities in an effort to increase its loyalty (Gereffi et al., 2005). This implies that when there is joint buyer opportunism (institutional arbitrage) and supplier dependence, low-cost production will normally trump responsibility for the supplier. Thus, supplier dependence exacerbates problems created by institutional distance through buyer opportunism.

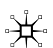
A second scenario produced by institutional distance is that of supplier opportunism, where the supplier engages in window dressing to hide its true practices. We argue that supplier dependence aggravates the impact of supplier opportunism on CSiR. As noted above, the two central features that drive supplier opportunism are a supplier's *lack of ability* to improve practices and *information asymmetry*. A lack of ability stems from scarcity in financial or managerial resources or the absence of capabilities, which is not uncommon in the offshore outsourcing context if the supplier is in a developing or emerging market (Soundararajan & Brown, 2016). In such instances where the supplier lacks resources, regardless of how much a buyer exercises its superior bargaining power, or how detailed and explicit its policies are, the supplier's practices will not change materially (Lund-Thomsen, 2008).

Institutional distance increases information asymmetry, implying that information exchange is neither regular nor transparent and monitoring of practices becomes costlier for the buyer (a common problem in offshore outsourcing relationships, see Wang, et al., 2016). Hence, the supplier's holding back of information effectively hinders the buyer from detecting problems with practices and the odds of getting caught are lower. Consider, for instance, the fact that workers are often given detailed instructions on what to say about day-to-day practices and working conditions before they are interviewed by auditors and may be monitored by factory managers during those interviews, limiting their ability to speak freely about transgressions (Transparentem, 2021). When the divergence between buyers' policies and suppliers' practices is particularly stark, highly dependent suppliers will be more likely to engage in window dressing. This is because the benefits of window dressing increase with institutional distance, while the costs of getting caught (e.g., exit or mild sanctions) do not. These benefits correlate positively with the divergence between buyers' policies and suppliers' practices because the effort the suppliers must expend to overcome the gap rises as divergence increases. By contrast a supplier that is relatively less dependent on the focal relationship may be able to find an alternative buyer with less stringent rules and codes of conduct (Locke, Amengual, & Mangla, 2009). Thus, from the outset, dependent suppliers may on the surface accept onshore and global stakeholders' expectations and the buyer's policies without fully comprehending them or being able to act upon them. Therefore, dependence reinforces the negative effects of institutional distance on CSiR from supplier opportunism.

Third, where CSiR is the result of a lack of knowledge (and therefore unintentional), we suggest that dependence also increases the negative effect of institutional distance. Under this scenario suppliers will lack requisite knowledge about the buyer's policies and what drives these. A dependent supplier has incentives to make an effort but where there is a lack of knowledge this effort will not be geared towards improving practices in line with the buyer's (intended) polices. Moreover, displaying imperfect knowledge about policies to the buyer carries with it a strong negative signaling effect about the supplier's ability to create more responsible practices. A dependent supplier will not want to give off such a signal as it undermines the buyer's loyalty and therefore increases the odds of relationship exit. Thus, dependence will increase the effects of the CSiR that results from institutional distance unintentionally.

Based on this discussion, in the pre-problem stage, we expect a dependent supplier to engage in misdirected efforts to increase buyer loyalty, thereby increasing divergence between policies and practices. A dependent supplier's fear of exit increases the motivation to actively hide existing and latent issues or window dressing (such as box-ticking training exercises at Apple's suppliers), which undermines problem-identification. The ability to manage problems is reduced because supplier dependence alone does not help overcome poor mutual understanding. Thus, we propose:

Proposition 6 *The supplier's dependence on the buyer positively moderates the relationship between formal and*



informal institutional distance and the divergence between buyers' responsibility policies and suppliers' practices.

Figure 2 illustrates the predictions of our theory and summarizes the key assumptions and implications.

Discussion

As with any theoretical framework, ours has several boundaries. We deliberately focus on institutional distance and the governance of IORs, while we ignore other levels of analysis. However, those levels also matter. At the organizational level, prior research has emphasized the importance of organizational size and capabilities in shaping responsibility (McWilliams & Siegel, 2001). At the supra-organizational level, industry is a key determinant of CSiR because the nature of a firm's industry has a significant impact on CSR activities (Levy & Kolk, 2002). At the individual level, some individuals focus on CSiR more than others, with conceptual explanations ranging from the upper echelons theory (Markoczy, Kolev, & Qian, 2023) to responsible leadership (Christensen, Mackey, & Whetten, 2014).

Moreover, the relations we investigated in this paper could be more dynamic and recursive than our propositions suggest, and there could be feedback loops. For instance, stakeholders' responsibility expectations could already be lower in cases such as Apple's offshore outsourcing of production to China because the stakeholders are aware that the conditions in China differ from those in the United States. Firms might try to educate their stakeholders about host-country institutional conditions and collaborative efforts with suppliers, which could lead to an adjustment in expectations. However, in many instances, the majority of stakeholders do not have advanced knowledge of institutions and lack an understanding of how the buyer and supplier firms work together. In such cases, they cannot adjust their expectations.

Our discussion above made a case for both direct and indirect positive effects from trust-based cooperation. Yet, all of these arguments hinge on *actual* cooperative behavior, and not ceremonial and non-substantive cooperation, which would limit investments in the supplier's ability to improve practices. Some caution is also warranted with respect to the conditions under which a supplier's dependence on a buyer is an effective mechanism. In particular, under conditions of *interdependence*—when the buyer also depends on the supplier—the supplier-dependence mechanism will be less effective (Reimann & Ketchen, 2017). A buyer may depend on a supplier for various

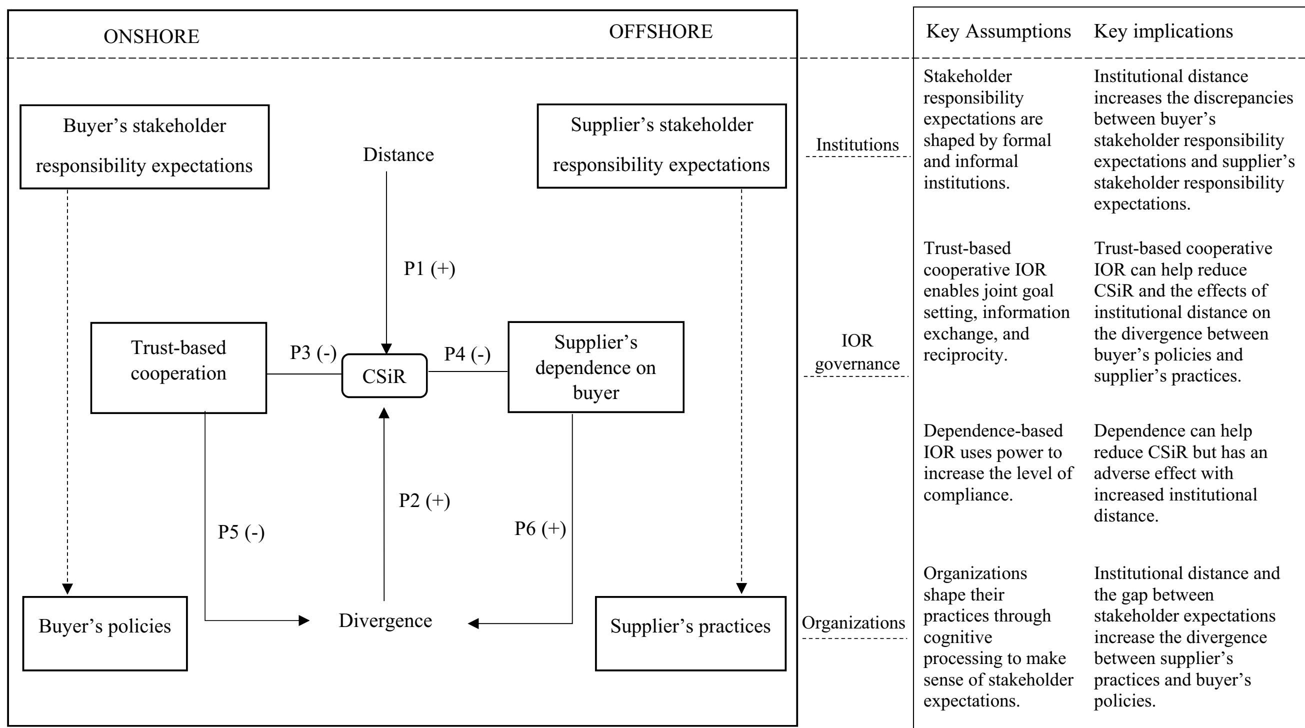


Fig. 2 Mechanisms, key assumptions, implications, and predictions

reasons, such as if the supplier holds market power, or if there are contractual or political factors that prevent a buyer from quickly and easily exiting a relationship. For instance, although Apple is a large and powerful firm, it is somewhat limited by the small number of potential suppliers that have the technical ability and scale to handle its manufacturing requirements. This increases the suppliers' bargaining power. If these suppliers also have broadly similar practices, a threat from Apple to exit a relationship over CSiR will be less effective.

We have not examined the nature and role of formal contracts in buyer–supplier relationships or control mechanisms. Contracts are an important theme in the IOR literature which, for instance, discusses complementarity and substitution between contracts and trust (Zhou & Xu, 2012). Contracts can also reflect the extent to which suppliers depend on buyers and vice versa, as dependence allows the other party to impose certain terms and conditions. In addition, buyers select and screen suppliers during the contracting process (Sarkis & Talluri, 2002). In offshore outsourcing relationships, CSiR could be prevented by selecting the "right supplier" up front by adopting a screening process that deemphasizes price and focuses on qualitative values (Sarkis & Talluri, 2002). Firms could also consider the potential for developing a cooperative relationship. However, our focus on relationship traits, instead of contracts and screening, builds on a desire to explain how firms manage CSiR ex-post rather than how screening and contracts could help ex-ante. A key motivation for this decision was that despite the ex-ante effort by companies like Apple, CSiR still occurs ex-post. Whether ex-ante or ex-post decisions matter more is a very interesting empirical question though.

Control has been applied as a mechanism to study for instance strategic alliances (Das & Teng, 2001). We believe our present framework could be extended to look at the effects of different modes of control. The literature emphasizes three approaches to modes of control: output, process, and social control (Das & Teng, 2001). In other words, buyers can attempt to implement controls in relation to output (e.g., responsibility or irresponsibility) or processes (i.e., practices in use), or through interpersonal (social) exchanges. The two traits of IORs in our theory—trust-based cooperation and power-based dependence—might interact with these different control mechanisms in a variety of ways. We would expect supplier dependence to correlated positively with output and behavioral control. The opposite may be true for social control, as the excessive use of dependence could harm the relationship and the level of cooperation. Social controls and trust-based cooperative relationships should be particularly synergistic and useful in contexts characterized by high uncertainty and ambiguity (Das & Teng, 2001), as is often the case in offshore outsourcing. We therefore see a focus on different control mechanisms as a viable way to further extend the arguments presented in this paper.

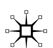
In addition, we have presented the reasons why firms engage in CSiR in an agnostic manner. However, whether CSiR occurs due to buyer opportunism, a lack of resources (supplier opportunism), or a lack of knowledge has consequences for stakeholders' responses as well as the follow-up actions undertaken by the supplier and/or the buyer. In the Rana Plaza case, buyer firms were subject to additional criticism because they appeared to have willingly overlooked problems in order to benefit financially. This, in turn, forced buyer firms to take more remedial actions than they might have done otherwise.

Future research

We see several fruitful directions for future research in this area. First, the inclusion of other levels of analysis would lead to additional research questions. For instance, how does heterogeneity in buyers' and suppliers' resources and capabilities affect their IOR governance choices and stakeholder expectations? Have particular industries found ways to avoid CSiR in offshore outsourcing and, if so, why have other industries been unable to adopt those methods? Does the extent of competition in an industry help or hinder efforts to prevent CSiR? More specifically, does competition lead to a race to the bottom or does avoiding CSiR help firms outcompete others? Another interesting question related to our framework is whether managerial attention is valuable in overcoming the complexities of operating across national borders and organizational boundaries.

Second, certain aspects of our model could be examined dynamically. For instance, if onshore and global stakeholders lower their expectations for offshore outsourcing, then the question of whether offshore outsourcing implies a higher likelihood and severity of CSiR is empirically open. Scholars focused on the theory of the firm could tackle this question together with those interested in CSiR. The aspect of intentionality, especially the responses intentionality triggers among stakeholders, is another fruitful area for future conceptual and empirical work. Does intentionality matter? If so how, is CSiR primarily a consequence of buyer or supplier opportunism? Alternatively, does CSiR emerge in a naïve manner?

Third, although the nature of the phenomenon and our framework may complicate efforts to empirically examine the propositions presented here in a single test, we believe several research designs could produce novel insights. One way to formally test some of the propositions could be through large-scale data collection in a single industry (e.g., garment production) in which all ownership (e.g., outsourced, insourced) and location (e.g., offshore, onshore) choices are present. All efforts to empirically examine CSiR

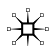


will need to apply a threshold indicating the point at which gaps between responsibility expectations and practices become CSiR. One possible CSiR measure could be found in (social) media mentions of irresponsibility. Studies of firms that not only undertake concurrent sourcing (i.e., making and buying the same product) but also use both onshore and offshore sourcing could offer unique insights into how such firms approach practices differently depending on ownership and location choices, the institutional distance those choices produce, and how these factors subsequently translate into CSiR. Furthermore, firms that have switched their choices over time could serve as interesting natural experiments in their own right.

Conclusions

CSiR is one of the dark sides of IB. Firms may find it particularly challenging to avoid CSiR—practices that do not meet stakeholders' responsibility expectations—in activities that cross both national borders and organizational boundaries. For managers of a supplier firm, the key implication of our work is that if a buyer wants to reduce CSiR, they should where possible encourage that buyer to engage in cooperative relationships because dependence presents a double-edged sword. For policy makers, we suggest that the effectiveness of institutional upgrading processes they engage in to improve practices depends on the speed with which buyers' stakeholder expectations and responsibility policies change.

In this paper, we have investigated explanations for CSiR under the most complex types of ownership and location arrangements for production (i.e., offshore outsourcing). We have proposed a framework that suggests six effects at the country and interorganizational levels. First, formal and informal institutional distance produce differences in the expectations of the buyer's onshore and global stakeholders and the supplier's offshore stakeholders, which is a precondition for CSiR. Second, formal and informal institutional distance leads suppliers' practices to fall short of buyers' policies, resulting in CSiR. Third, cooperative relationships between buyers and suppliers help reduce CSiR. Fourth, a supplier's dependence on a buyer helps reduce CSiR. Fifth, institutional distance and interorganizational governance factors cannot be considered in isolation because of important cross-level effects. More specifically, cooperative relationships negatively moderate the effects of institutional distance on the gap between suppliers' practices and buyers' policies. Finally, a supplier's dependence on a buyer positively moderates the effects of institutional distance on the gap between the supplier's practices and the buyer's policies. There is still much to be learned about this important topic, but we believe the present theorization takes important steps in this direction.



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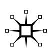

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