Buyer Power and Supplier Motivation for Code of Conduct Compliance: A global apparel industry perspective

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Emergence of the quota free trade has changed the way businesses operate. Apparel buyers (multinational enterprises) expanded business worldwide by sourcing, manufacturing and operating in countries where production and labor costs are low. Despite the global apparel industry's economic contribution to the world, prevalence of sub-standard working conditions and labor exploitation is still being reported regularly. To address the social issues, buyers devise compliance regulatory policies and demand suppliers to be compliant with the mandated standards. These policies are termed as buyers' code of conduct (CoC) policies, and are defined as "commitments voluntarily made by companies, associations, or other entities, which put forth standards and principles for the conduct of business activities in the marketplace" (Organization for Economic Co-operation and Development, 1998, p.5). CoC policies became a major tool to regulate non-compliance issues in the global apparel marketplace (Egels-Zaden & Lindholm, 2015). In addition, buyers require suppliers to set up different compliance mechanisms (Yawar & Seuring, 2015) to monitor and enforce policies effectively. Despite these efforts, improvement in social standards at the suppliers' base is happening at a very slow rate (Gupta, 2012).

The apparel supply chain is buyer-driven and the top-down social compliance management strategies rendered CoC policies to be largely inefficient and ineffective at suppliers' end (Koksai, et al., 2017; Jaiswal & Brookshire, 2018). As CoC implementation continue to be buyers' prevalent practice to regulate social issues, it is imperative to develop a better understanding of the drivers of effective CoC implementation. A coherent theme across various buyers on CoC policies is lacking. To fill this gap, a meta-analysis of literature was conducted to identify potential drivers for the suppliers to engage with CoC compliance management.

Figure 1: Flow Chart of Literature Search

A systematic literature review was conducted using the ProQuest and Scopus databases and primary articles were selected for the study (Fig. 1). Literature since 1990 was examined. Search keywords included were "code of conduct", "compliance", "monitoring", "enforcement", "transparency", "power imbalance" and "motivation". Eighty nine articles were selected based on the

availability of the full text articles in English and based on their relevance to the CoC implementation practices. Of those, 58 articles were excluded based on the abstract not fulfilling relevant inclusion criteria. Selected articles were peer reviewed journal articles including literature reviews, theses, and government reports. The citations of these articles were cross-referenced, and six additional relevant publications were included by using the snow balling technique. A total of 37 articles, meeting the inclusion criterion, were analyzed.

Analyses of literature revealed two broader approaches adopted by various buyer firms to achieve CoCs compliance. The *mandatory* approach where compliance was compelled through enforcement actions and sanctions for non-compliance, whereas *voluntary* approach where compliance is obtained through education, financial and technical assistance (Braithwaite & Makkai, 1991; May, 2005). Thus, it was evident that buyers adopt different regulatory approaches by employing different ‘*power*’ to control the suppliers’ compliance behavior. The term power is defined as ‘an actor’s ability to induce or influence another actor to carry out his or her directives or any other norms he or she supports’ (Etzioni, 1961, p.4). Further, these approaches demonstrate that suppliers comply for various reasons, namely, fear of consequences of non-compliance, social pressure, cost and benefit calculations, or even out of moral values and civic duty. Hence, there could be different kinds of suppliers’ *motivations*, defined as the forces acting on or within a person that cause the person to behave in a specific manner to achieve set goals (Slocum & Hellriegel, 2007), for CoC compliance. Taken together, it was noticeable that *buyer’s power* and *suppliers’ motivations* are the two potential factors driving CoC compliance.

Figure 2: Conceptual framework for buyer-supplier's compliance management process

Analysis of buyers’ power factors showed the presence of the two major power sources; *hard* and *soft* powers, depending on the amount of freedom that suppliers feel. For example, under the soft power strategies, suppliers feel free to decide whether to accept the requests of buyers; while hard power strategies gave less freedom to suppliers, and are

unfriendly, controlling and coercive. Analysis of suppliers motivation also showed two forms of the motivations; *extrinsic* defined as the motivation to work primarily in response to something apart from the work itself, such as rewards, recognition, or the dictates of other people; and *intrinsic* referred as the act of completing an activity for the pleasure of doing the activity itself (Amabile et al., 1994, p. 950). Based on the presence of different factors in buyer-supplier compliance management process, specific differential effect of hard and soft powers on intrinsic and extrinsic motivations is anticipated (see Figure 2). It can be inferred that in the *mandatory approach* (coercion driven), buyers will employ hard power strategies, while in *voluntary approach*, (education and training driven) use of soft power strategies could be effective. Further, extrinsic motivation could be higher with hard power strategies, and intrinsic

motivation with soft power strategies. Additionally, the impact of hard power on intrinsic motivation and soft power on extrinsic motivation would be an interesting topic to explore. Future research is thus recommended to underline the specific effect of each factor in buyer-supplier CoC compliance management process.

A complex set of interactive and dynamic themes driving the buyer-supplier compliance-influencing model emerged, and the roles of various factors driving power and motivation based in mandatory and voluntary approaches are identified. The development of this knowledge is important in gaining a deeper insight on how buyers' can utilize different powers to promote efficient integration of compliance policies at suppliers firms, while balancing effects of the power imbalance. Implications of the power imbalance, comprehension of the power sources, and the intended and unintended consequences of power usage on suppliers could be useful in predicting supplier's social performance and addressing non-compliance issues in the global apparel supply chain.

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