

Dynamics of Social Auditing in the Global Textile and Apparel Supply Chain

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In the past three decades global sourcing of textiles and apparels (T&A) from developing countries is on the rise. However, international retailers' received criticism on their ability to manage social non-compliances at supplier factories. Retailers are implementing code of conduct policies to ensure conformity with social standards and avoiding businesses with non-complaint suppliers (Jaiswal & Brookshire, 2018). One of the major tool retailers use across the global apparel value chain is *social auditing*, which is a workplace assessment and a way of measuring, understanding, reporting, and ultimately improving an organization's social and ethical performance (Hussain, 2015). International retailers require apparel manufacturing firms from developing countries to conduct social audits and get accreditation as a precondition to the commercial relationship (Sanders, Cope, & Pulsipher, 2018).

Social audits are meant to identify any violations of workers' rights in production facilities; assess suppliers' social performance; and improve overall workplace standards. However, incidences such as Ali Enterprises fire in Pakistan and collapse of Rana Plaza building in Bangladesh suggest flaws in the current practices of social auditing and indicate gaps to understand dynamics of auditing process. Several issues such as time, pressure, budget constraints, social ties, management control, national and organizational culture, etc. affects audit quality (Lord & DeZoort, 2001; Ringov & Zolo, 2007; Savenberg & Ohman, 2013; He et al., 2017).

Present research was conducted to study dynamics of the social auditing process and identify factors influencing auditors' decision-making process and auditing outcomes. It is anticipated that an understanding of auditor's influence process will be crucial in predicting quality of the audits performed.

Development of the conceptual framework is achieved through a systematic review of the peer-reviewed literature using Web of Science and Scopus databases. Following keywords, 'social audit', 'code of conduct', 'auditor performance', 'buyer-supplier', 'social compliance', 'reduced audit quality' were searched. Sixty-seven articles were selected based on the availability of the full text articles and their relevance to social audit context. Thirty-one papers were excluded based on abstract not fulfilling relevant inclusion criteria. Selected articles were peer reviewed journal articles, including literature reviews, theses, and organizational reports. These articles were cross-referenced to include additional relevant publications using the snow balling technique. Nine more articles were added to the review by cross-referencing based on their relevance to this study. Total forty-five articles, meeting various inclusion criterion, were finally analyzed.

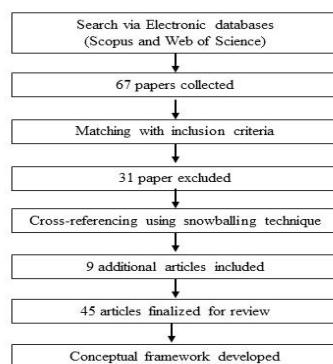


Figure 1: An overview of literature review methodology

Literature analyses revealed constant interaction of multiple factors in the social auditing at T&A industry. These were: (1) *external*; (2) *internal* (auditor's organization and suppliers' organization); and (3) *personal* factors.

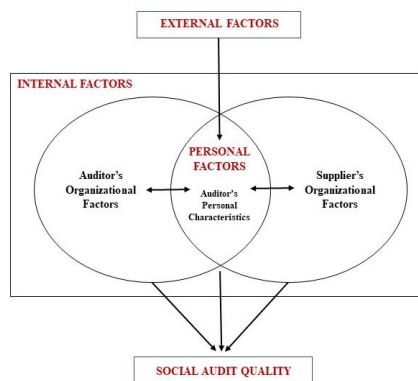


Figure 2. Dynamics of social auditing process from different stakeholder's perspective

Our analysis revealed that auditors' decisions in social audits was a reflection of the national culture, government regulation, social institutions, behavior and expectations of consumers and competitors (Jajja et al., 2018; Porteous et al., 2015; Ringov & Zollo, 2007). As these factors are often part of the economic, political, and social environment of the locations where auditors operated, these are grouped as *external factors* impacting auditors' decision-making process.

Analyses of the suppliers and auditing firms involved in auditing revealed two others factors related to each firm separately but interacts constantly: (1) *auditors' firm factor*, which was impacted by the auditor firm's leadership style (superior-obedience pressure and control), peer pressure (conformity pressure), organizational commitment, auditing firm's reputation, ethical culture and auditing protocols (Pierce & Sweeney, 2004; Sweeney et al., 2010); and (2) *suppliers' firm factor* include impact of pressure from secondary stakeholders (NGOs, Media, social networking), internal pressures (buyer, shareholder, worker union, higher management), suppliers firms' commitment/mission, ethical culture, available resources (budget), and goal of auditing (Coram et al., 2008; Kaptein, 2011). Since these factors relates to the internal operations and organizational culture of the two firms involved, these were grouped under *internal factors* and are expected to influence auditors' decision-making process.

Lastly, past researches demonstrated reliance of the auditing outcomes on auditor's personal qualities and qualifications such as education, work experience, rank/superiority, gender, time-budget constraints, social ties (auditor-manager relationship), and auditor's moral reasoning (Locke et al., 2007; Svanberg & Ohman, 2013). Therefore, these are considered as *personal factors* influencing auditors' decision-making process.

Taken together, results revealed that auditing is a dynamic process where auditors' decision on suppliers' compliance are often influenced by multiple factors, agents and institutions. Accordingly, a framework was developed with following propositions predicting that the quality of the social audit report will be higher:

Proposition 1: *When external factors support implementation of social audits.*

Proposition 2: *When internal factors favor implementation of social audits.*

Proposition 3: *When auditor's personal factors aligns with implementation of the social audits.*

In conclusion, this study contributes to gain a deeper insight into social auditing complexities. It is imperative that factors identified are not mutually exclusive and therefore auditors' performance should not be evaluated in isolation. A detailed understanding of the interplay among these factors will improve

quality of the social audits. Future research is recommended where this conceptual model can be utilized to test propositions empirically.

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