



Buyers' Power on Suppliers' Motivation to Engage in Managing their Compliance Mechanisms: Case of Indian Apparel Export Firms

Geetika Jaiswal and Jung Ha-Brookshire, University of Missouri, USA

Keywords: Codes of conduct, monitoring, transparency, motivation

The global apparel industry forms an integral part of the world trade. In developing countries, apparel accounts for a large proportion of total exports. India is one among the developing countries that have emerged as a major sourcing destination for Multinational Enterprises (MNEs) in the last few decades. According to the World Trade Organization (2016), India is the fifth largest apparel exporter in the world, with 19 billion USD worth of apparel exports annually. Despite industry's economic and employment potential, incidences of poor working conditions and labor standard violations have been reported routinely (Nimbalkar *et al.*, 2015). The highly scattered and multi-layered structure of the Indian apparel industry (Mezzadri, 2014) contributes to the failure of MNEs' compliance regulatory policies, which are implemented mainly in the form of code of conduct (CoC). However, the compliance behavior of Indian apparel supplier firms is little known and this study was designed to gain an understanding of the underlying mechanisms affecting supplier compliance with MNEs' regulatory policies.

Etzioni's compliance theory (1975) explains the role of superiors' power and subordinates' motivation in achieving compliance with organizational standards. Other researchers (Yukl, 1998; Bharadwaj, 2011) have also supported that power and motivation are the two potential factors affecting compliance. Specifically, two power strategies: *hard powers*, defined as the strategy based on enforceable rules supported by threats or negative consequences; and *soft powers*, refers to the strategy where individuals feel free to decide whether or not to accept the influencer's requests (Pierro, Raven, & Cicero, 2008) were hypothesized to affect suppliers' motivations: *intrinsic*, defined as the motivation to engage in work primarily for its own sake since the work itself is interesting and satisfying; and *extrinsic*, defined as the motivation to work primarily in response to reward or recognition or the dictates of other people (Amabile, Hill, Hennessey, & Tighe, 1994). Finally, the suppliers' two forms of motivations would affect *monitoring* (refers to the process of regular surveillance, verification, and inspections of CoC implementation practices); and *transparency*, defined as the accessibility of information concerning business practices, and full disclosure of information to all the stakeholders (Reich & Samet, 1996).

A quantitative study, involving face-to-face surveys of apparel manufacturing/exporting factories from Delhi (India) was designed to test above hypotheses. Due to difficult-to-reach population,

purposive sampling technique was used to recruit participants. One participant from each factory was selected. Specifically, respondents who were currently employed in apparel export factory, and involved in managing social compliance-related issues within the factory were recruited. A market research firm, Nextgen, collected data during Spring 2017. Total 210 usable survey responses were collected. Finally, Structure Equation Modeling (SEM) was conducted.

The demographic description of the sample revealed that majority were males (89.5%), with average of 18 years of work experience in current factory, and has completed college degree (88%). The manufacturing units' firm size was small-to-medium (with an average of 234 employees) (Mezzadri, 2014), mainly involved in manufacturing women's apparel (91%) (Bhullar *et al.*, 2015), and products manufactured were exported to multiple countries. Initial screening of the Cronbach's alpha values of five latent variables showed that all values were within the acceptable limits ($0.6 < \alpha < 0.7$) as suggested by Kline (2000), except for soft power strategies (Cronbach's alpha=0.443). Thus, it was removed from the model. Analysis of demographic characteristics of the study samples indicated that the demographic information of participants was in accordance with earlier studies. Further analysis of the remaining items in the measurement model showed a good model fit ($\chi^2=236.098$, $df=142$, $p=0.000$, $CFI=0.896$, $TLI=0.874$, $RMSEA=0.056$, $SRMR=0.062$). All factor loadings were found to be positive (>0.4) and statistically significant. Final analysis of the structural model indicated a good model fit ($\chi^2=232.225$, $df=143$, $p=0.000$, $CF=0.901$, $TLI=0.882$, $RMSEA=0.055$, $SRMR=0.069$). Results of the structural model (see Figure 1) supported four hypotheses, with exceptions to the effect of

hard power on intrinsic motivation, and the effect of intrinsic motivation on monitoring.

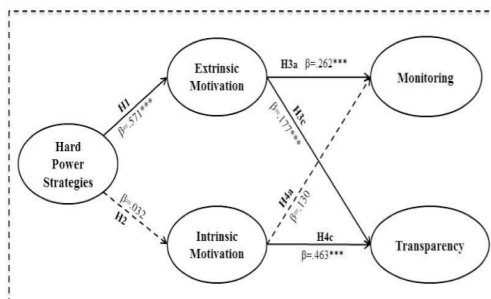


Figure 1: Results of all hypotheses tested (***) represents p -value < 0.05 ; β represents standardized parameter estimates).

This study indicates that buyers seem to use hard power strategies, which induces extrinsic motivation in suppliers. However, with stimulation of extrinsic motivation in suppliers, buyers could influence only suppliers' monitoring mechanisms but not transparency mechanisms, since the latter relies more on inculcating intrinsic motivation in suppliers as found in this study. Based on these findings, it can be concluded that inducing both intrinsic and extrinsic motivation in

suppliers is important for buyers to achieve suppliers' compliance performance. Overall, this study contributes uniquely to the literature by offering a deeper insight into the interactive nature of the buyer-supplier compliance-influencing process. To overcome limitation of this study, in the future, research on other apparel clusters from different regions of India is recommended.

References

- Amabile, T. M., Hill, K. G., Hennessey, B. A., & Tighe, E. M. (1994). The Work Preference Inventory: Assessing intrinsic and extrinsic motivational orientations. *Journal of Personality and Social Psychology*, 66(1), 950.
- Babiak, K., & Trendafilova, S. (2010). CSR and environmental responsibilities: Motives and pressures to adopt green management practices. *Corporate Social Responsibility and Environmental Management*, 18, 11-24.
- Bhardwaj, S. (2011). Green Ships, Eco Shipping, Clean Seas: Proceedings of the 12th Annual General Assembly of the International Association of Maritime Universities, Gdynia Maritime University in Gdynia, 12-14 June, 2011. Gdynia, Maritime University.
- Bhullar, H., Singh, A., & Sabharwal, N. (2015). *The hidden workforce: A study on child labor in the garment industry in Delhi*. Save the Children.
- Etzioni, A. (1975). A comparative analysis of complex organizations: On power, involvement and their correlates. New York : Free Press.
- Kline, P. (2000). *The handbook of psychological testing (2nd ed.)*. London: Routledge.
- Mezzadri, A. (2014). Indian Garment Clusters and CSR Norms: Incompatible agendas at the bottom of the garment commodity chain. *Oxford Development Studies*, 42(2), 217-237.
- Milka, W., Michael, K., & Tanui, T. (2015). Effect of extrinsic motivation on employee performance in medium class hotels in Kisumu City, Kenya. *European Journal of Business Management*, 7(7), 240-249.
- Nimbalkar, G.; Mawson, J.; Cremen, C.; Wrinkle, H.; and Eriksson, E. (2015). Apparel Industry Trend-2015: The truth behind the barcode. Baptist World Aid, Australia.
- Pierro, A., Raven, B. H., & Cicero, L. (2008). Motivated compliance with bases of social power. *Journal of Applied Social Psychology*, 38(7), 1921-1944.
- Reich, R. B., & Samet, A. J. (1996). *The apparel industry and code of conduct: A solution to the international child labor problem?* Washington DC: U.S. Department of Labor, Bureau of International Labor Affairs. doi:<https://www.dol.gov/ilab/reports/pdf/apparel.pdf>
- Winter , S. C., & May, P. J. (2001). Motivation for compliance with environmental regulations. *Journal of Policy Analysis and Management*, 20(4), 675-698.
- Yukl, V. H. (1998). *Leadership in organizations*. Englewood Cliffs, NJ: Prentice Hall.