

Buyer-supplier relationships and organizational values in supplier social compliance

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ABSTRACT

Buyers from developed countries require their suppliers in developing countries to demonstrate social compliance by the implementation of either generic social compliance standards, also called public standards, or buyer-developed social compliance codes, also called private standards. However, the research on the role of buyer-supplier relationship and adoption of social compliance standards is limited. Using data from apparel exporting factories, this paper investigates the role of transactional and relational buyer-supplier relationships in the adoption of public and private standards. Further, it examines the moderating role of supplier's organizational values in standards adoption process. The results indicate that transactional approach has a positive association with public standards and relational approach has a positive association with private standards. Also, the combined presence of transactional and relational approaches leads to implementation of both public and private standards. The empirical examination yielded partial support for moderation hypotheses as well. The findings imply that supplier governance decisions should be linked with the format of social compliance. A transactional approach will add more value when public standards are adopted and a relational approach will create more value if private standards are adopted. Further, managers need to evaluate a supplier's flexibility and external orientation to predict supplier willingness for social compliance and future social performance.

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1. Introduction

Buyers in developed countries are often criticized for outsourcing their operations to developing countries to take advantage of the cheap labour (Manik and Yardley, 2013). A major cause of the criticism is that many suppliers in these developing countries have not fully addressed issues such as child labour, sweatshops, gender discrimination, and poor health and safety conditions in their factories (Akamp and Müller, 2013; Winter and Lasch, 2016). Developing social compliance practices can increase a supplier's operating costs, thus making the supplier prone to opportunistic behaviour (Stigzelius and Mark-Herbert, 2009; Zimmer et al., 2016). One approach to curb opportunism and to ensure systematic supplier social compliance (SSC) is to develop a

conductive buyer-supplier relationship (BSR) (Cramer, 2008; Gualandris and Kalchschmidt, 2016; Poppo and Zenger, 2002; Williamson, 1975). Transaction Cost Economics (TCE) (Williamson, 1975) and relational contract (Macneil, 1980) theories indicate that two types of mechanisms can be applied to manage BSRs: transactional and relational. Transactional BSRs make use of legal stipulations and economic incentive systems (Jiang, 2009; Tuczec et al., 2018). Relational BSRs, on the other hand, manage exchanges between buyer and supplier through mutual commitment, common goals, and cooperative behaviours (Lo et al., 2018).

Different initiatives have been launched to improve the social performance of developing country suppliers (Koplin et al., 2007; Marimon et al., 2012; Zhu and Sarkis, 2006). However, social performance of suppliers in developing countries remains poor (Akhter et al., 2010; Egels-Zandén, 2007) and in need of improvement through deep-rooted changes (Barkemeyer, 2011). Previous empirical studies that have examined the role of BSRs in SSC are limited and mainly based on qualitative data (Andersen and

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Skjoett-Larsen, 2009; Cramer, 2008; Hajmohammad and Vachon, 2015; Jiang, 2009; Staniškienė and Stankevičiūtė, 2018; Zhang et al., 2017). In addition, most of these studies refer to SSC in terms of implementation of buyer-administered codes of conduct (Jiang, 2009; Lau et al., 2018; Locke et al., 2007). However, buyers can demand SSC via certification standards like SA 8000 and ISO 26000 that are administered by independent and international organizations (Foerstl et al., 2015; Moratis, 2016; Murmura et al., 2017; Stigzelius and Mark-Herbert, 2009). The need arises to understand the relationship of different types of BSRs with the different formats of SSC, which will be referred to as private standards (e.g., IKEA Way (IKEA, 2012)) and public standards (e.g., ISO 26000) using a large-scale dataset (Ghadimi et al., 2016). Thus, the first question addressed in this paper is: what is the relationship between transactional/relational buyer-supplier relationship approaches and public/private social compliance standards adoption?

Earlier research has found mixed support for the relationship between BSRs and measures of SSC. Akamp and Müller (2013) found that cooperative activities such as supplier development, which are a subset of relational BSR, are positively related to supplier performance improvement. Jiang (2009) found that the relational BSR, which is associated with long-term relationships, positively affects a supplier's implementation of a buyer's code of conduct whereas Oka (2010) reports a lack of association between relationship duration and supplier non-compliance. In addition, Jiang (2009) found that transactional BSRs do not affect suppliers' implementation of buyer administered code of conduct whereas Oka (2010) reports that market-based relationship increases suppliers' non-compliance. Similarly, Locke et al. (2007) suggest that inspection and audit based buyer-supplier relationship produces only limited results in terms of its impact on suppliers' social compliance.

This paper posits that these inconsistent findings regarding the relationship between BSR and various measures of SSC are because the supplier's response to market forces is influenced by the supplier's values (Baumgartner, 2009; Macchion et al., 2017). A supplier's internal values affect its ability to process information, create meaning, and make decisions, thereby determining how it responds to buyer requirements (Liu et al., 2010). However, though suppliers' organizational values seem to have a role in the adoption of SSC, this has not been investigated in prior studies (Macchion et al., 2017; Zorzini et al., 2015). Hence, the second key question addressed in this paper is: how does the value system of a supplier affect the supplier's social compliance decisions? This research explores the possible moderating role of a supplier's values, i.e., flexibility orientation and external focus, in the association between BSRs and SSC.

This research is carried out in the context of a developing country, Pakistan, which is the ninth largest apparel goods exporter in the world and a "Global South" country (Fukunishi et al., 2013). This empirical context is important due to the idea of the "corporate social responsibility divide" between developed and developing economies (Gugler and Shi, 2009). Most of the research on social responsibility in general (Blowfield and Frynas, 2005) and on the relationship between sustainability performance and firm performance in particular comes from developed economies i.e., the "north" (Goyal et al., 2013). This disparity warrants the need for further research given the key role of the "south" in global supply chains (Gereffi and Lee, 2012) especially in textile supply chains. This paper is not explicitly comparing SSC practices on both sides of the divide but does recognize that developing countries present unique challenges to SSC adoption as does the literature (Huq et al., 2014). Since most papers studying issues of SSC use data of buyers from developed countries (Dabhikar et al., 2016; Hoejmose et al., 2013; Hollos et al., 2012), an important contribution of our paper,

as suggested in the research gaps highlighted by Zorzini et al. (2015) and Walker et al. (2014), is its use of data of suppliers from a developing country.

2. Conceptual framework and hypotheses development

2.1. Transactional and relational BSRs

In the absence of individual bounded rationality, opportunism, and asset specificity, every economic exchange would take place economically through some form of market mechanism (Williamson, 1975). However, in the inevitable presence of these factors appropriate governance mechanisms are adopted to control deviant behaviours, facilitate role adaptation, and distribute rewards and responsibilities so that exchange objectives are accomplished with minimum transaction costs and uncertainties (Williamson, 1975). These governance problems can be minimized in one of two ways: transactional approach and relational approach (Gençtürk and Aulakh, 2007; Jiang, 2009). The transactional approach, which is grounded in TCE, seeks to develop and enforce a contract, which is usually settled through extensive bargaining and negotiations in order to reduce the costs and risks in transactions (Blome et al., 2013; Tucek et al., 2018). Transactional BSRs do not value long-term partnership and are contingent on contractual performance. Typically the buyer does not make a significant investment in the supplier, which makes it easier for the buyer to switch suppliers to protect its interests (Ring and Van de Ven, 1994). TCE implies that sufficiently comprehensive contracts can limit a supplier's non-compliance by specifying the roles of each party and clarifying what is acceptable and what is not. However, the theory also acknowledges that the effectiveness of transactional mechanisms is constrained when the objectives of the transaction cannot be met without making idiosyncratic investments. In such cases, the use of an alternative arrangement such as a relational approach might seem more desirable (Cao and Lumineau, 2015).

In the relational approach, which is grounded in the relational contract theory, the nature of exchange among partners is long-term (Hennart, 1993; Macneil, 1980). The nature of exchange among buyer and supplier is not only economical but also relational (Macneil, 1980). The relational approach is valuable when buyers encounter a different political, economic, demographic, legal, social and cultural environment. In such situations, due to asymmetrical levels of information and competencies (Ambrose et al., 2010; Ciliberti et al., 2011), the relationship between the two partners cannot be developed merely with contractual controls; rather mutual adaptation is required (Gundlach et al., 1995; Liu et al., 2009) where some investments such as *ex-ante* training or *ex-post* incentives have to be made by the buyer (Ring and Van de Ven, 1994). The concern for safeguarding these mutual investments promotes cooperative behaviors and discourages opportunism (Blome et al., 2013; Cao and Lumineau, 2015). Relational norms develop over time on the basis of information exchange and value consideration of mutual interest. These norms prescribe stewardship behaviour and promote solidarity between exchange partners (Gundlach et al., 1995). Thus, in contrast to transactional BSRs which mainly hinge on contractual enforceability mechanisms the relational BSRs make use of mutual and self-governance mechanisms to manage suppliers.

2.2. Supplier social compliance

Multinational companies buying goods from developing countries typically require their suppliers to comply with the policies and practices that reflect the corporate culture, social values, and strategic imperatives of the buyer (Kumar and Rahman, 2016;

Mathiyazhagan et al., 2014). Buyers usually demand suppliers to get certification of internationally recognized standards or comply with buyer managed programs. Internationally recognized standards (e.g., SA8000, ISO 26000, and the BSCI Code) are independently administered and open for anyone. Thus this paper refers to them as public standards (Moratis, 2016; Stigzelius and Mark-Herbert, 2009; Tuczek et al., 2018). Several international brands including Reebok, Nike, Mizuno, Walmart, Gap, JC Penney, and Levi Strauss, among many others, use their own codes to manage SSC (Van Tulder and Kolk, 2001; Winter and Lasch, 2016). Since these social compliance programs are administered by the buyer and are adopted only by their suppliers, they will be called private standards in this paper.

These two formats of SSC are clearly differentiated when viewed through the lens of asset specificity (Williamson, 1975). High asset-specific investments benefit a particular partner and have less value outside the partnership. Public standards have lower asset specificity than private standards because the former are valuable to multiple buyers, while the latter are implemented to meet the requirements of a particular buyer. The implications of these two formats of SSC with relational and transactional BSRs are discussed in the subsequent sections.

2.3. BSRs and SSC

Transactional BSRs typically make use of a formal contract to mitigate opportunism and encourage social compliance on the part of the supplier. By making SSC requirements contractually explicit, behaviours required from the supplier are clearly specified (Poppo and Zenger, 2002). The clarity of public standards is particularly valuable in a transactional BSR where the buyer does not invest time and effort to help implement SSC at the supplier's facility. When SSC requirements are posed as the certification to public standards, the supplier will find their adoption convenient as the information about standards is easily available and the standard's requirements are usually well known (Castka and Balzarova, 2008). From a buyer's perspective, monitoring supplier performance is easier as certification to public standards is a more tangible confirmation than certification to a competing buyer's standard. Through contractual requirements, the transactional approach puts pressure on the supplier for compliance with public standards. Therefore, transactional BSRs positively associate with public standards; this further implies that transactional BSRs will promote adoption, maintenance, improvement, and compliance with public standards.

Since public standards are valued in open market and have low asset specificity, suppliers have additional motivation to seek certification to them (Williamson, 1975). In transactional BSRs the supplier would tend to invest in a low asset-specific program like public standards because a transactional BSR lacks the promise of continuity of business (Johnston and Murat Kristal, 2008) and if the buyer replaces the supplier, public standards will carry value outside the original relationship. Similarly, in transactional BSRs buyers would ask for public standards so that they could avoid making an investment in the supplier and focus only on monitoring compliance through contractual mechanisms. Thus, transactional BSRs and the use of public standards are aligned with each other in harnessing maximum value from the relationship at a minimum cost (Ring and Van de Ven, 1994). Given this, the first hypothesis is as follows.

H1. Suppliers with transactional BSRs are likely to implement public standards

Relational BSRs nourish trust, collaboration, and solidarity between partners, which in turn encourage mutually beneficial SSC

behaviours (Grimm et al., 2016; Liu et al., 2009; Sancha et al., 2016a). Both partners acquire symmetric information through communication and harmonization within the exchange (Liu et al., 2010), which helps both partners achieve buyer specific SSC objectives. The open exchange of information gradually grows into relational norms where protection of mutual interest is a core consideration (Gundlach et al., 1995; Kumar and Rahman, 2016). The desire for shared norms and respecting mutual interest strengthens the supplier commitment.

Relational BSRs can thus furnish a conducive context for both buyers and suppliers to engage in the adoption of private standards. In this setting, the buyer may make supplier specific investments to show commitment and improve supplier capabilities (Lo et al., 2018). The buyer's investment can take the form of training the supplier's employees, developing the supplier's operational capabilities, or improving the supplier's management systems (Ring and Van de Ven, 1994). The investments by the buyer in improving supplier capabilities have limited to no value outside the relationship (Williamson, 1975); as a result, the use of the relational approach in case of private standards is justified. The buyer's actions provide confidence to the supplier for aligning its systems with the buyer's specific demands. Ultimately, responding to buyer's initiatives, relational BSR generates commitment from the supplier who will diligently address buyers' specific requirements (Cropanzano and Mitchell, 2005). Hence the second hypothesis follows.

H2. Suppliers with relational BSRs are likely to implement private standards

Some suppliers may have transactional BSRs with some key buyers and relational BSRs with other key buyers. Indeed, both Poppo and Zenger (2002) and Wacker et al. (2016) found the two approaches to be complimentary based on their analyses. In that case, as argued above for H₁ and H₂, the supplier is likely to have implemented public standards because of its association with the transactional buyers as well as private standards because of its association with the relational buyers. This practice of implementation of both public and private standards is common (Zorzini et al., 2015). The adoption of both lends legitimacy to the supplier for the broader portfolio of customers including transactional and long-term buyers. Thus, this paper hypothesizes as follows.

H3. Suppliers with both transactional and relational BSRs are likely to implement both public standards and private standards

2.4. Supplier's organizational values, BSRs, and SSC

The framework used in this study to conceptualize and measure organizational values is the Competing Values Model (CVM) (Cameron and Quinn, 2011; Khazanchi et al., 2007). The CVM was chosen for its comprehensiveness, relevance with the research model, reliability of measurement, and consistent use in supply chain research (Liu et al., 2010; Zu et al., 2010). Also, the CVM is appropriate for companies in developing countries, which are still in a developmental phase and often change their business scope and scale (Liu et al., 2010). The volatile environment of these companies requires them to adapt to competing and conflicting values.

The CVM describes organizational values along two dimensions, each consisting of two foci: flexibility-control and internal-external. Flexibility is an organization's ability to adapt to the demands of the environment and it allows an organization to encounter, resolve, and when feasible, exploit an unexpected opportunity (Richey et al., 2009), while a control orientation

emphasizes order, predictability, and efficiency. The internal focus orientation emphasizes maintenance, smoothing, and integration of activities while the external focus orientation emphasizes competition, differentiation, adaptation, and interaction with the external environment (Deshpandé et al., 1993; McDermott and Stock, 1999).

These two dimensions give rise to four different types of cultural orientations as shown in Fig. 1. The *clan culture* is characterized by employee development, promotes teamwork, participation and consensus, and focuses on internal organization. The *adhocracy culture* encourages acquisition of resources, creativity, and adaptation to the external environment. The *market culture* emphasizes productivity and achievement. In a market culture, objectives are defined and external competition is the main driving force. The *hierarchical culture* emphasizes discipline, integration, internal efficiency, and conformance to rules and regulations. These cultural orientations are used to measure organizational values (Khazanchi et al., 2007; McDermott and Stock, 1999). Research shows that successful implementation of management programs is largely dependent on the values and ideological underpinnings of a firm (Linnenluecke and Griffiths, 2010; McDermott and Stock, 1999). Accordingly, value orientation of a firm can also influence BSR dynamics and SSC initiatives (Fig. 2).

2.4.1. Role of flexibility orientation in BSRs and SSC

Flexibility orientation can positively influence the role of transactional and relational BSRs in SSC. Flexibility endows a supplier greater adoptability as well as adaptability (Cameron and Quinn, 2011) resulting in enhanced capability to address buyers' social compliance requirements of either type. On the contrary, suppliers with low flexibility orientation, owing to their emphasis on order, efficiency, and predictability (Khazanchi et al., 2007; Zammuto and O'Connor, 1992) embrace changes only lukewarmly, thus dampening their response to buyer's requirements.

A flexibility orientation equips an organization with the capabilities to exploit unexpected opportunities (Richey et al., 2009). Flexible behaviours such as diligent compliance to buyer requirements and accommodating any changes requested by the buyer create new business opportunities including increasing the volume of business transactions, securing exclusive rights to supply

the buyer, developing a long-term partnership, integrating operations with that of the buyer, sharing data and information with the buyer, and developing strategic alliances with the buyer (Macneil, 1980; Stigzelius and Mark-Herbert, 2009). Accordingly, suppliers with high flexibility orientation will leverage their social compliance initiatives to generate new business opportunities. Therefore, flexibility orientation will strengthen the supplier's conformity to buyers' social compliance requirements. Hence this paper offers the following hypotheses.

H4a. Flexibility orientation positively moderates the association between transactional BSRs and public standards

H4b. Flexibility orientation positively moderates the association between relational BSRs and private standards

H4c. Flexibility orientation positively moderates the association between the combined presence of both transactional and relational BSRs and adoption of both public and private standards

2.4.2. Role of external focus in BSRs and SSC

Research in corporate social responsibility shows that the organization's external focus influences its decisions regarding adoption of socially responsible practices (Detert et al., 2000). This is because an external focus endows a supplier greater capability to scan the market, adapt to the environment, differentiate, and interact with customers and other stakeholders (Richey et al., 2009). Indeed "all things equal, as a firm becomes more externally focused, it becomes more attuned to the demands of the market" (McDermott and Stock, 1999, p. 526). A supplier with a high external focus would show more sensitivity to the social compliance requirement prevalent in the market (Lukas and Ferrell, 2000), thus encouraging the adoption of relevant social compliance requirements.

Furthermore, an external focus establishes the fundamental business principle that success is not judged by the organization itself, but by the perceptions of buyers, competitors, regulators, community, and other external decision makers (Mutch and Aitken, 2009). Therefore, being responsible and to be perceived as responsible by diligently meeting social compliance requirements of buyers are key considerations in the external focus. Thus the external focus will provide a positive setting for the effect of BSRs on the respective formats social compliance standards. This leads to the following hypotheses:

H5a. An external focus positively moderates the association between transactional BSRs and public standards

H5b. An external focus positively moderates the association between relational BSRs and private standards

H5c. An external focus positively moderates the association between the combined presence of both transactional and relational BSRs and adoption of both public and private standards

A summary of the hypotheses, underpinning theories, and supporting literature is provided in Table 1.

3. Methodology

3.1. Data collection

The data were collected from medium to large size apparel manufacturing and exporting factories in Pakistan that supply to international brands. However, collecting data was challenging because of lack of formal telephone directories, reliable delivery means, and willingness of respondents to participate in the

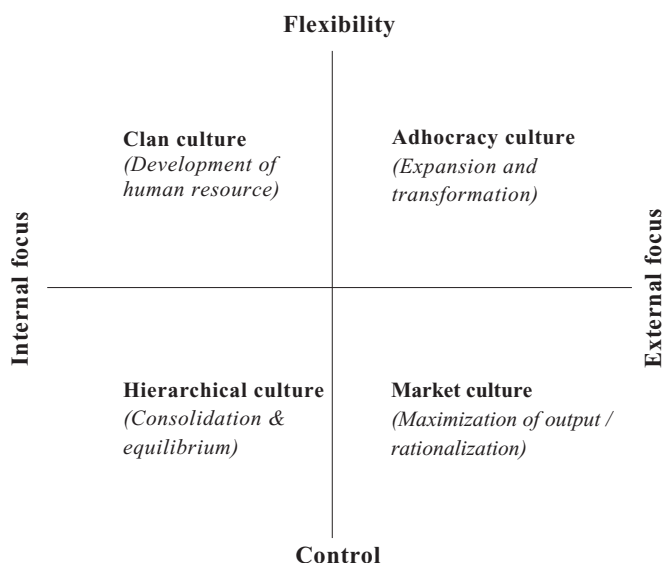


Fig. 1. The competing values model
(Adapted from Cameron and Quinn, 2011).

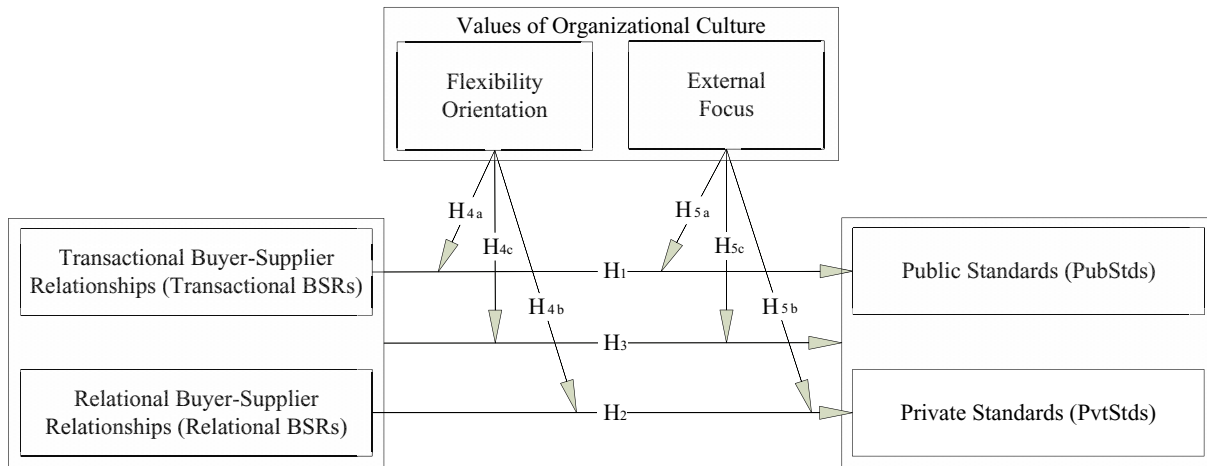


Fig. 2. Conceptual framework.
(Arrows indicate the direction of positive effect.)

Table 1
Summary of the hypothesized relationships, underpinning theories and relevant literature.

Hypothesized relationship	Underpinning theory	Representative relevant research
H ₁ : Relationship between transactional BSRs and public standards	Transactional cost economics theory (Williamson, 1975)	Lo et al. (2018), Kumar and Rahman (2016), Blome et al. (2013), Jiang (2009), Liu et al. (2009), Ellram et al. (2008), Pedersen and Andersen (2006)
H ₂ : Relationship between relational BSRs and private standards	Relational exchange theory (Macneil, 1978)	Lo et al. (2018), Kumar and Rahman (2016), Wang et al. (2016), Cao and Lumineau (2015), Blome et al. (2013), Tangpong et al. (2010), Jiang (2009), Liu et al. (2009), Paulraj et al. (2008), Morgan et al. (2007)
H ₃ : Relationship between transactional and relational BSRs and public and private standards	Transactional cost economics theory (Williamson, 1975), relational exchange theory (Macneil, 1978)	Lo et al. (2018), Kumar and Rahman (2016), Blome et al. (2013), Mahapatra et al. (2010), Jiang (2009), Liu et al. (2009), Vivek et al. (2008)
H _{4a} : Flexibility orientation moderates the relationship between transactional BSRs and public standards	Competing values model (Cameron and Quinn, 2011; Deshpandé et al., 1993)	Marshall et al. (2015), Goebel et al. (2012), Cameron and Quinn (2011), Naranjo-Valencia et al. (2011), Baumgartner (2009), Berrone et al. (2010), Linnenluecke and Griffiths (2010), Liu et al. (2010), Sambasivan and Nget Yen (2010), Suddaby et al. (2010), Zu et al. (2010), Braunscheidel and Suresh (2009), Linnenluecke et al. (2009), Locke et al. (2009), Khazanchi et al. (2007), Pedersen and Andersen (2006), Flynn and Saladin (2001), Goodman et al. (2001), Griffiths and Petrick (2001), McDermott and Stock (1999)
H _{4b} : Flexibility orientation moderates the relationship between relational BSRs and private standards		
H _{4c} : Flexibility orientation moderates the relationship between transactional and relational BSRs and public and private standards		
H _{5a} : External focus moderates the relationship between transactional BSRs and public standards		
H _{5b} : External focus moderates the relationship between relational BSRs and private standards		
H _{5c} : External focus moderates the relationship between transactional and relational BSRs and public and private standards		

research on social compliance issues. Thus, the research team approached the target respondents, production or social compliance managers of senior to top level, through multiple channels: three industry associations, three large buying houses, three multinational auditing companies, and the executive education centre of the university hosting this research. The combined list of companies generated from these sources provided a comprehensive sampling frame of apparel exporting factories in Pakistan. This approach of contacting the target respondents in developing countries through various available means has been used previously (Liu et al., 2010; Zhao et al., 2007; Zhu and Sarkis, 2004).

The total design methodology was used to guide the data collection process (Dillman, 2007). The cover letter accompanying the questionnaire stressed the academic nature of the research and assured confidentiality. We contacted one respondent per factory (production manager or social compliance manager), but we asked the respondent to forward the questionnaire to the relevant

manager(s) to complete the other section(s) of the questionnaire (i.e., data regarding culture from production manager and BSRs and adoptions of standards from social compliance manager). A production manager (or equivalent) was considered knowledgeable about the organizational values culture because of his/her intense engagement with the top management as well as production workers. A single respondent was deemed appropriate because our target respondents were senior to top managers who played active role in setting the strategic priorities and shaping the organizational culture (Liu et al., 2010). In addition, since these managers belonged to production function they had the knowledge of organizational culture at production floor level as well. The use of a single respondent for measuring organizational values is common in empirical studies measuring organizational values (Liu et al., 2010; McDermott and Stock, 1999; Škerlavaj et al., 2007; Stock et al., 2007). A social compliance manager (or equivalent) of a business unit was considered appropriate for BSRs because of their

Table 2
Sample profile.

Number of employees	Frequency	Revenue (\$ million US)	Frequency
Less than 250	21	Less than 2	21
251–500	34	2–4	14
501–750	22	4–6	13
751–1000	10	6–8	5
1001–1250	9	8–10	7
1250–1500	8	More than 10	57
More than 1500	47	Not known	47
Not known	13		
Unit's export as %age of sales	Frequency	Foreign collaboration	Frequency
0–25	8	Local	140
26–50	7	Joint Venture	10
51–75	13	Foreign	4
76–100%	111	Not known	10
Not known	25		
Respondent experience (years)	Frequency	Respondent titles	Frequency
0–5	39	Owner	8
6–10	38	Plant/GM	16
11–20	73	Senior Manager	29
21–30	8	Manager	68
31–40	1	Deputy/Assistant manger	23
41 or more	1	Other	13
Not known	4	Not known	7

Total for each categorization is 164.

intense engagement with international buyers and their role in the implementation of supplier social compliance. Also, a social compliance manager is fully aware of the status of implementation of social compliance standards in their factory. Follow up was carried out using email, telephone, and personal visits.¹

A total of 185 questionnaires were returned of which 21 were incomplete from a sampling frame of 394 factories, yielding a total of 164 useable responses for an effective response rate of 41.62%, which provides a reasonable sample size for the subsequent analysis (Table 2) (Huang et al., 2008). T-tests indicated that differences in responses of 25 early and 25 late respondents to ten randomly selected items were not significant. In addition, T-tests indicated that size in terms of the number of employees of early and late respondent companies was not significantly different, thus providing further evidence of the absence of non-response bias (Armstrong and Overton, 1977).

Finally, we randomly corroborated the adoption of standards data of 20 suppliers from their respective buying houses. We asked the buying houses whether according to their records the supplier had adopted (or not adopted) the respective standard(s) when the data for this research was collected. The data from the buying houses endorsed the original data provided by the suppliers thus lending confidence to the quality of data regarding the adoption of standards.

3.2. Construct operationalization and pre-test

The items of transactional BSRs and relational BSRs are based on the work of Jiang (2009). The relational BSR construct seeks to measure the extent to which the key buyers of the respondent firm have developed supportive, collaborative, open, and two-way relationships involving mutual investment for SSC. The transactional BSR construct seeks to measure the extent of arm's length and market-driven relationships with the key buyers that place the burden of ensuring social compliance on the supplier only. The respondents were asked about the nature of their company's relationship with their key buyers. As firms could potentially have

many BSRs, some firms could possibly respond with high (or low) scores for both transactional and relational.

The constructs of flexibility orientation and external focus were measured using the organizational culture assessment instrument (OCAI), which measures the four culture types (Deshpandé et al., 1993). Following the approaches of McDermott and Stock (1999) and Khazanchi et al. (2007) the scores of the culture types were used to measure flexibility orientation and external focus. The sum of scores for adhocracy culture and market culture was used as a measure of external focus. Similarly, the sum of scores for adhocracy culture and clan culture was used as a measure of flexibility orientation (see appendix for details).

The authors combined a literature review with in-depth interviews with three social compliance managers, one factory manager, a CEO from a manufacturing company, a CEO and a manager from an international buying house, and three managers from compliance audit firms to guide the creation of dependent variables. The interviews indicated that SA8000, ISO 26000, and BSCI code are the social compliance programs typically being used by apparel manufacturing and exporting companies in Pakistan. These three management programs were used to operationalize the construct of adoption of public standards. For public standards, a value of 1 was assigned if the supplier's status was at the "Currently Implementing" or "Successfully Implemented" stage at one or more of public standards (i.e., SA8000, ISO 26000, and BSCI code) and 0 otherwise (Melnik et al., 2003). Similarly, private standards was given value of 1 if the supplier was at "Currently Implementing" or "Successfully Implemented" stage in one or more buyer-developed social compliance programs and 0 otherwise. The measure of private standards was not specific to a particular buyer, but did measure the general adoption of such standards. Other measures of social performance, such as through employee perspective (Staniškieñė and Stankevičiūtė, 2018) lack objectivity and are less reliable.

The number of employees, percentage export of total sales, and number of years of export experience were included as control variables (Jiang, 2009). The questionnaire was pretested with a total of six production and compliance managers and then revised based on the pre-test findings. The revised questionnaire was then discussed with social compliance audit managers and two faculty

¹ A university grant was used to support the data collection process.

members working in the textile sector, which lead to a minor revision before the data collection.

3.3. Measurement model

The constructs of transactional BSRs and relational BSRs were subject to combined confirmatory factor analysis (CFA) with measurement items loaded onto their respective constructs. The CFA results generated via Amos version 22 provided acceptable model fit ($\chi^2_{19 \text{ d.f.}} = 23.691$, $\chi^2/\text{d.f.} = 1.247$, CFI = 0.993, TLI = 0.990, IFI = 0.993, GFI = 0.967, RMSEA = 0.039) (Segars and Grover, 1993). A scale item with factor loading less than 0.70 was deleted (Table 3) (Hair et al., 2010). All values of Cronbach's alpha and composite reliability are greater than 0.70 thus satisfying the construct reliability and internal consistency (Nunnally and Bernstein, 1994). CFI of both the constructs are greater than 0.90 thus satisfying the condition of unidimensionality. Similarly, all values of AVE are greater than 0.50 satisfying the condition of convergent validity. Unidimensionality and convergent validity indicate that all items in the construct measure the same construct (Bagozzi and Yi, 1991). The squared inter-construct correlation (SIC = 0.007) between transactional BSRs and relational BSRs was less than the individual construct's AVE values thus providing evidence for satisfactory discriminant validities (Segars and Grover, 1993). Also, a significant difference ($\Delta\chi^2_{1 \text{ d.f.}} = 17.438$ at p-level = 0.01) in the chi-square values of constrained CFA model ($\chi^2_{20 \text{ d.f.}} = 41.129$), where correlation between transactional BSRs and relational BSRs is set to 1, and the unconstrained model ($\chi^2_{19 \text{ d.f.}} = 23.691$) provided additional evidence of discriminant validity (Segars and Grover, 1993).

A significant difference ($\Delta\chi^2_{1 \text{ d.f.}} = 158.430$ at p-level = 0.01) between the value of chi-square of a single-factor model ($\chi^2_{20 \text{ d.f.}} = 182.121$) and the one in which items were loaded onto their respective constructs ($\chi^2_{19 \text{ d.f.}} = 23.691$) provided evidence of insignificant common method bias (Podsakoff et al., 2003). Additionally, total variance explained by single factor model of all items is less than 0.50 thus further endorsing that common method bias is not a significant concern in this research (Podsakoff et al., 2003). Since transactional BSR and relational BSR had good psychometric properties, the average score of individual construct's items was used to create their scale scores for the hypotheses being tested in the subsequent regression analysis (Huang et al., 2008).

Cronbach α values of clan culture, adhocracy culture, market culture, and hierarchy culture were 0.727, 0.752, 0.773, and 0.698

respectively thus satisfying the reliability requirements (Deshpandé et al., 1993; Nunnally and Bernstein, 1994). Flexibility orientation score (i.e., the sum of adhocracy culture and market culture items) and external focus score (i.e., the sum of adhocracy culture and clan culture items) were standardized for the subsequent analysis (Khazanchi et al., 2007; McDermott and Stock, 1999). The correlation values of all variables shown in Table 4 are less than 0.90 indicating that multicollinearity is not a problem in this research (Hair et al., 2010).

3.4. Hypotheses test results

Four logistic regression models (Control Model, Base Model, Culture Model, and Full Model) for each dependent variable were run to test their respective direct and moderation hypotheses (Hosmer Jr. and Lemeshow, 2004). The results of these logistic regression models, which were run on SPSS version 20, are shown in Table 5 (for the dependent variable public standards), Table 6 (for the dependent variable private standards), and Table 7 (for dependent variable both standards).

The χ^2 values of all regression models in Table 5 are significant thus providing satisfactory model fit (Field, 2013). The value of Nagelkerke R^2 has increased from 0.126 in the Control Model to 0.197 in the Base Model, thus suggesting a significant role for transactional BSRs in predicting the likelihood of adoption of public standards. Similarly, when cultural factors are included, the value of Nagelkerke R^2 increased from 0.197 in the Base Model to 0.316 in the Full Model. The Base Model's regression results indicate that transactional BSRs significantly increase the likelihood of adoption of public standards among suppliers thus providing support to H₁ (at the p-level 0.01).

The Culture Model's results show that flexibility orientation and external focus do not have significant direct relationship with adoption of public standards. The Full Model's regression results show that flexibility orientation and external focus positively moderate the relationship between transactional BSRs and adoption of public standards, thus supporting H_{4a} (at p-level 0.01) and H_{5a} (at p-level 0.01) respectively.

The χ^2 values of all regression models in Table 6 are significant thus providing a satisfactory model fit (Field, 2013). The value of Nagelkerke R^2 is increased from 0.193 in the Control Model to 0.307 in the Base Model, thus suggesting a significant role for relational BSRs in predicting the likelihood of adoption of private standards.

Table 3
Buyer-supplier relationship scale.

Factor items	Factor loading (Standard error)
Transactional BSRs (Cronbach's alpha = 0.806, Composite reliability = 0.808, AVE = 0.584, CFI = 1.000)	
Our key buyers ^a tell us their social compliance requirements and implementation is completely our unit's responsibility.	0.721 (0.126)
Our key buyers rarely work with us on the implementation of social compliance requirements.	0.792 (0.134)
If we face difficulties in the implementation of social compliance requirements, our key buyers would simply switch to other suppliers rather than work out a solution with us.	0.778 (0.123)
Relational BSRs (Cronbach's alpha = 0.903, Composite reliability = 0.906, AVE = 0.660, CFI = 1.000)	
Our key buyers allow open, two-way dialogue on the social compliance requirement issues, so that the social compliance targets can be established jointly.	0.747 (0.107)
Our unit's key buyers work with us closely to implement the social compliance requirements (e.g., visiting our production facilities, providing ongoing training programs, etc.).	0.761 (0.105)
If we comply with the social compliance requirements, we will get incentives from our key buyers (e.g., more business, increasing order volumes, financial rewards).	0.859 (0.092)
If we face difficulties in the implementation of social compliance requirements, the buyer would work out a solution with us rather than simply switch to other suppliers.	0.894 (0.093)
Our key buyers have invested resources in enabling our capacity in the social compliance.	0.790 (0.126)
Our key buyers and us view each other as partners and share information very well.	X

X: Deleted after CFA for low factor loading.

Likert Scale: Strongly Disagree = 1 to Strongly Agree = 7.

^a Key Buyers: Those few buyers that you consider seriously when taking important business decisions.

Table 4
Correlation values.

Variables	1	2	3	4	5	6	7	8	9
1. Number of employees	1.000								
2. Export revenue (%)	0.117	1.000							
3. Export experience	0.214**	−0.013	1.000						
4. Transactional BSRs	−0.039	0.100	0.055	1.000					
5. Relational BSRs	0.094	0.004	−0.123	−0.011	1.000				
6. Public standards	0.296**	0.187*	0.079	0.217**	0.207**	1.000			
7. Private standards	0.269**	0.132	−0.157*	−0.060	0.359**	0.270	1.000		
8. External focus score	−0.046	0.028	−0.103	−0.033	0.078	−0.047	0.014	1.000	
9. Flexibility orientation score	0.052	0.069	0.018	0.059	−0.024	0.109	0.089	−0.339	1.000

** = Significant at the 0.01 level (2-tailed). * = Significant at the 0.05 level (2-tailed).

Table 5
Hypotheses results (H₁, H_{4a}, and H_{5a}) - Dependent variable: public standards.

	Control model	Base model	Culture model	Full model
Constant	−1.613	−2.729	−2.749 ^b	2.980 ^b
Number of employees	0.283 ^b	0.315 ^b	0.326 ^b	0.344 ^b
Export revenue (%)	0.241	0.203	0.184	0.207
Export experience	−0.002	−0.002	−0.006	−0.009
Transactional BSRs		0.940 ^b (H ₁)	0.097 ^b	0.117 ^b
FO			0.206	−1.229
EF			0.258	−2.052
FO x Transactional BSRs				0.130 ^b (H _{4a})
EF x Transactional BSRs				0.114 ^a (H _{5a})
Nagelkerke R ²	0.126	0.197	0.210	0.316
ΔR ²		0.071	0.013	0.106
Wald χ^2 - d.f.	16.136–3	25.935–4	27.846–6	43.829–8
Prob > χ^2	0.000	0.000	0.000	0.000
Log likelihood	206.413	196.613	194.703	178.719
N	164	164	164	164
Percent correctly classified (%):				
0 (Public standards Not-Adopted)	50.0	50.0	47.1	60.3
1 (Public standards Adopted)	71.9	79.2	79.2	76.0
Overall	62.8	67.1	65.9	69.5

(Hypothesis number): Hypothesis number is shown in parenthesis next to the relevant test estimate. FO: Flexibility orientation, EF: External focus.

^a = significance <0.05.

^b = significance <0.01.

Table 6
Hypotheses test results (H₂, H_{4b}, and H_{5b}) - Dependent variable: private standards.

	Control model	Base model	Culture model	Full model
Constant	−3.708 ^b	−5.716 ^b	−5.721 ^b	−6.259 ^b
Number of employees	0.296 ^b	0.273 ^b	0.275 ^b	0.287 ^b
Export revenue (%)	0.693 ^a	0.766 ^a	0.757 ^a	0.809 ^a
Export experience	−0.037 ^a	−0.033	−0.032	−0.031
Relational BSRs		0.411 ^b (H ₂)	0.415 ^b	0.472 ^b
FO			0.145	−1.002
EF			0.137	−1.279 ^a
FO x Relational BSRs				0.293 ^a (H _{4b})
EF x Relational BSRs				0.347 ^b (H _{5b})
Nagelkerke R ²	0.193	0.307	0.312	0.383
ΔR ²		0.114	0.005	0.071
Wald χ^2 - d.f.	24.832–3	41.364–4	42.298–6	53.791–8
Prob > χ^2	0.001	0.000	0.000	0.000
Log likelihood	189.443	172.641	171.977	160.484
N	164	164	164	164
Percent correctly classified (%):				
0 (Private standards Not-Adopted)	81.0	88.6	88.6	88.6
1 (Private standards Adopted)	45.8	50.8	54.2	57.6
Overall	68.3	75.0	76.2	77.4

(Hypothesis number): Hypothesis number is shown in parenthesis next to the relevant test estimate. FO: Flexibility orientation, EF: External focus.

^a = significance < 0.05.

^b = significance < 0.01.

Table 7Hypotheses test results (H₃, H_{4c}, and H_{5c}) - Dependent variable: both standards.

	Control model	Base model	Culture model	Full model
Constant	−4.997 ^c	−5.981 ^c	−5.967 ^c	−6.126 ^c
Number of employees	0.322 ^c	0.323 ^c	0.323 ^c	0.332 ^b
Export revenue (%)	0.762 ^b	0.717 ^b	0.722	0.770 ^a
Export experience	−0.013	−0.015	−0.015	−0.012
Relational BSRs x Transactional BSRs		0.021 ^b (H ₃)	0.020 ^c	0.014 ^b
FO			0.262	−0.385
EF			0.135	0.195
FO x (Relational BSRs x Transactional BSRs)				0.014 ^a , (H _{4c})
EF x (Relational BSRs x Transactional BSRs)				0.000 (H _{5c})
Nagelkerke R ²	0.178	0.288	0.298	0.322
ΔR ²		0.110	0.010	0.024
Wald χ^2 - d.f.	21.483–3	36.473–4	37.868–6	41.290–8
Prob > χ^2	0.000	0.000	0.000	0.000
Log likelihood	171.239	156.252	154.857	151.435
N	164	164	164	164
Percent correctly classified (%):				
0 (Both standards Not-Adopted)	88.2	93.3	94.1	94.1
1 (Both standards Adopted)	26.7	40.0	40.0	42.2
Overall	71.3	78.7	79.3	79.9

(Hypothesis number): Hypothesis number is shown in parenthesis next to the relevant test estimate. FO: Flexibility orientation, EF: External focus.

^a = significance <0.10.^b = significance <0.05.^c = significance <0.01.

Similarly, when cultural factors are included, the value of Nagelkerke R² increased from 0.307 in the Base Model to 0.383 in the Full Model. The Base Model's regression results indicate that relational BSRs significantly increase the likelihood of adoption of private standards, thus providing evidence for the hypothesis H₂ (at the p-level 0.01).

The Culture Model's results show that flexibility orientation and external focus do not have a significant direct relationship with the adoption of private standards. The Full Model's regression results show that flexibility orientation and external focus positively moderate the relationship between relational BSRs and adoption of private standards, thus supporting H_{4b} (at p-level 0.05) and H_{5b} (at p-level 0.01) respectively.

Finally, in the regression model for the implementation of both standards the dependent variable is binary, i.e., whether the company has implemented both public and private standards (yes = 1, otherwise = 0). The independent variable (i.e., the combined presence of both transactional and relational BSRs) was measured using the product of relational BSRs and transactional BSRs. The χ^2 values of all regression models in Table 7 are significant thus providing satisfactory model fit (Field, 2013). The value of Nagelkerke R² is increased from 0.178 in the Control Model to 0.288 in the Base Model. Similarly, when cultural factors are included, the value of Nagelkerke R² increased from 0.288 in the Base Model to 0.322 in the Full Model. The Base Model's regression results indicate that the product of relational and transactional BSRs significantly increases the likelihood of adoption of both standards, thus providing evidence for the hypothesis H₃ (at the p-level 0.05).

The Culture Model's results show that flexibility orientation and external focus do not have a significant direct relationship with adoption of both standards. The Full Model's regression results show that flexibility orientation positively moderates the relationship between the product of relational and transactional BSRs and adoption of both standards, thus supporting H_{4c} (at p-level 0.10). In addition, the Full Model's results show that external focus does not moderate the relationship between the product of relational and transactional BSRs and adoption of both standards thus rejecting H_{5c}. Results of all the direct and moderation hypotheses are summarized in Table 8.

4. Discussion

4.1. Buyer-supplier relationship and social compliance standards

Transactional BSRs are found to increase the likelihood of the adoption of internationally recognized public standards. The adoption of public standards provides suppliers a capability that can be competitively sold in the international marketplace, contributing to more business opportunities (Castka and Balzarova, 2008; Stigzelius and Mark-Herbert, 2009). Transaction cost economics plays its role in this type of relationship as it becomes economically more viable for both suppliers and buyers to engage in business transactions (Gualandris and Kalchschmidt, 2016). For suppliers, this reduces transaction costs and brings forth business opportunities from multiple buyers. For buyers, this reduces transaction cost, the cost of effectively communicating buyer requirements, and limits the non-compliance of suppliers and reduces uncertainties, thereby creating a win-win situation for both exchange partners (Macchion et al., 2017; Winter and Lasch, 2016).

Similarly, as hypothesized, relational BSRs were found to have a significant relationship with private standards endorsing the findings of Jiang (2009). In a relational BSR the affiliation between buyers and suppliers is beyond a mere one-time business transaction (Lo et al., 2018; Zhang et al., 2017). Buyers are willing to, and actually invest in, supplier development activities, and suppliers reciprocate by implementing buyer-specific programs (Kumar and Rahman, 2016). Huq et al. (2014) report that buyers such as Sears, K-Mart, and H&M train employees of their suppliers in Bangladesh, a developing country, on implementation of their codes of conduct to facilitate improved standards. Suppliers reciprocate by improving implementation of the codes expecting that these actions would strengthen their relationship with the buyers that might produce more business opportunities in the future (Johnston and Murat Kristal, 2008). In doing so, buyers potentially utilize suppliers' orientation and capabilities for tapping into new opportunities (Zhang et al., 2017).

The positive relationship between the combined presence of both transactional and relational BSRs and the adoption of both public and private standards can be explained by three possible

Table 8
Summary of results.

Hypothesis	Supported (Yes/No)
H ₁ : Suppliers with transactional BSRs are likely to implement public standards	Yes ^c
H ₂ : Suppliers with relational BSRs are likely to implement private standards	Yes ^c
H ₃ : Suppliers with both transactional and relational BSRs are likely to implement both public standards and private standards	Yes ^b
H _{4a} : Flexibility orientation positively moderates the association between transactional BSRs and public standards	Yes ^c
H _{4b} : Flexibility orientation positively moderates the association between relational BSRs and private standards	Yes ^b
H _{4c} : Flexibility orientation positively moderates the association between the combined presence of both transactional and relational BSRs and adoption of both public and private standards	Yes ^a
H _{5a} : An external focus positively moderates the association between transactional BSRs and public standards	Yes ^b
H _{5b} : An external focus positively moderates the association between relational BSRs and private standards	Yes ^c
H _{5c} : An external focus positively moderates the association between the combined presence of both transactional and relational BSRs and adoption of both public and private standards	No

^a = significance < 0.10.

^b = significance < 0.05.

^c = significance < 0.01.

factors. First, adopting both types of standards will help the supplier to satisfy the requirements of those buyers who prefer a market-driven arm's length transactional relationship as well those who value a long-term relational BSR (Macchion et al., 2017). Second, the adoption of the both types of standards also gives the buyer more confidence in supplier SSC capabilities. For example, the findings of Foerstl et al. (2015) suggest that suppliers adopt public standards, in addition to private standards, to gain confidence of and limit auditing activities by their customers. This reduction in audit frequency saves resources required to continuously prepare and present for such audits. The enhanced confidence of the buyer in supplier's capabilities leads to more business opportunities as well. Finally, a supplier with both types of BSRs will tend to capitalize on the similarities in both types of standards. The two types of standards are essentially meant for the same purpose although format and processes differ. Studies on environmental performance have also found a positive association between transactional/relational BSR and environmental performance, see e.g., Sancha et al. (2016b).

4.2. Influence of organizational culture

Our findings show that organizational values moderate the effect of BSRs on SSC. These findings support the analysis of Huq et al. (2014) that leadership characteristics such as owner's education, exposure, and professional background that partly shape organizational values influence the ways in which suppliers in developing countries respond to stakeholders' social compliance requirements. Particularly, our study finds that flexibility orientation positively moderates the relationships between transactional BSRs and public standards, relational BSRs and private standards, and both types of BSRs and both types of standards. Flexibility orientation is generally defined in terms of adoptability and adaptability and allows a supplier to respond positively to a buyer's social compliance requests when there is an ongoing relationship between the two parties (Cameron and Quinn, 2011). Therefore, the positive moderating role of flexibility in the above-mentioned relationships is quite logical. Supplier flexibility is also desired by the buyer and creates more value creation in the overall relationship (Huo et al., 2018; Kuo et al., 2016).

The moderation effect of external focus on the relationships between transactional BSRs and public standards, and relational BSRs and private standards, is found to be significant. An externally-focused supplier scans its environment, proactively identifies business opportunities or customer needs, and generates capabilities and resources to adjust itself to those needs (Cameron and Quinn, 2011). This ability plays a role in positively moderating

the former relationships (i.e., transactional BSRs – public standards). Externally focused suppliers understand and respond to buyer requirements and changes in these requirements over time with more positivity (Linnenluecke and Griffiths, 2010). The lack of evidence for the moderation effect of external focus in the relationship between the product of BSRs and both standards is surprising. One possible reason is that a supplier already engaged in both types of BSRs and having adopted both formats of standards may find its overall SC system sufficient to meet the needs of diverse buyers, thus making the effect of external focus redundant. Such a supplier will prefer institutionalization of already adopted standards and focus less on exploring new opportunities or exerting efforts in aligning itself to the market needs.

4.3. Implications for theory and practice

This paper has important implications for theoretical development of research on cleaner production, particularly on the use of human capital in production systems. It builds on the literature that seeks to identify antecedents of adoption of social compliance management systems among suppliers in developing countries. These management systems provide a comprehensive assessment of the extent of social compliance in particular and application of human capital in general in an organization (Hahn, 2013; O'Rourke, 2003; Winter and Lasch, 2016). Our argument uses TCE and relational contract frameworks to explain that BSRs play an important role in developing the supplier's inclination towards adopting a particular format of SSC. Our research identifies two different types of social compliance systems, i.e., public and private standards. This relatively more in-depth and particular operationalization of social compliance enables more specific theorization of the relationships between the two types of BSRs and SSC in empirical research (Whetten, 1989). The empirical support for our theorization complements the argument that stakeholder pressures contribute towards improvement in SSC (Foerstl et al., 2015; Kumar and Rahman, 2016; Lau et al., 2018) and underscores the role of BSRs in adoption of various forms of SSC (Akamp and Müller, 2013; Jiang, 2009; Lo et al., 2018).

The extant research on sustainability has only few studies providing insights into how organizational culture may affect adoption of social sustainability initiatives (Linnenluecke and Griffiths, 2010; Llach et al., 2015). The present research complements earlier studies and sheds new light on how the motivation for adoption of social compliance management systems may stem from BSRs and also how organizational culture, a stable and pervasive element of an organization, affects the influence of BSRs on SSC initiatives. The competing value framework of

organizational culture provides a particularly valuable lens in a developing country context because it seeks to capture conflicting objectives and evolving nature attributed to developing country companies (Linnenluecke et al., 2009). In doing so our study combines an important external stakeholder of supplier's organization (i.e., BSRs) with an internal approach (i.e., competing values) to enhance our understanding on the factors that may influence supplier's adoption of SSC initiatives (i.e., public standards and private standards). These findings extend the earlier discussion on the relationship between BSRs and SSC (Foerstl et al., 2015; Jiang, 2009; Oka, 2010). Finally, the current research complements a vast majority of studies that have focused on identifying antecedents of specific environmental sustainability initiatives, e.g., green supply chain management (Lo et al., 2018; Zhu et al., 2013), eco-design, source reduction (Sarkis et al., 2010), environmental management system (Bansal and Hunter, 2003; Sarkis et al., 2010), reverse logistics (Ye et al., 2013), environmental practices (Montiel and Husted, 2009; Simpson, 2012; Tate et al., 2011), and environmental performance (Sancha et al., 2016b; Simpson et al., 2012; Zailani et al., 2012).

The insights produced in this research work have key managerial implications. The nature of BSRs and decisions about adoption of a particular format of standards are interdependent. Transactional BSRs seem suitable when the format of SSC is public standards and relational BSRs when the format is private standards. While transactional BSRs require less mutual investments, in relational BSRs, both buyers and suppliers have to take voluntary actions in order to care for the partners' financial expectations and exchange obligations for showing commitment to the relationship. One type of BSR is not better than the other; rather they yield different outcomes vis-à-vis the two formats of SSC.

In addition, our study highlights that while buyers' engagement with suppliers is important in suppliers' selection of an SSC initiative, the suppliers' willingness and commitment to the adoption of social compliance program is not less important. Suppliers' flexibility and external focus can enhance supplier willingness and commitment to social compliance. This point presents an important managerial implication in supplier selection which sometimes turns out to be a challenging task. Traditionally supplier selection is based on heuristics (Tempelmeier, 2002), such as certification to standards, market reputation, customer base, and revenue volume of the supplier (Murmura et al., 2017). However, given the problem of mock compliance at supplier's end and bounded rationality at buyer's end, the buyer may end up making wrong decisions leading to increased ex-ante and ex-post cost (Ciliberti et al., 2011). Ex-ante information asymmetry may lead to an inability to determine supplier's intentions, motivation, willingness, and capabilities to keep the promise. Ex-post costs may include increased monitoring, auditing costs, cost of non-conformance, and switching to other suppliers. Thus, buyers need to go beyond just certification to also assess supplier's willingness and motivation for SSC. We argue that suppliers' flexibility orientation and external focus may help the buyer to make better decisions about supplier selection in an environment of uncertainty and information asymmetry. Indeed, supplier flexibility orientation and external focus can be the key criteria in selecting supplier as these aspects will determine the supplier motivation for SSC. Furthermore, this information can be used to create or improve supplier development programs.

5. Conclusion

Implementation of internationally recognized social compliance standards conveys confidence to the buyer and its stakeholders that

the supplier has systems in place to address its social sustainability concerns (Lau et al., 2018). This paper uses transaction cost economics, relational contract and organizational culture frameworks to explain the factors that affect suppliers' adoption of social compliance standards. This paper examines the role of transactional and relational BSRs vis-à-vis the two forms of SSC, i.e., public and private standards. Exploring this question precisely contributes to the research determining the effectiveness of BSRs in managing each type of SSC (Genovese et al., 2014; Zimmer et al., 2016). The results indicate that transactional and relational BSRs have a positive impact on supplier's adoption of public and private standards respectively. In addition, this paper examines the moderating role of organizational culture in the relationships between BSRs and SSC. Overall, the study finds that a supplier's cultural orientation affects how the supplier responds to the two types of BSRs thus making a novel contribution to the literature on the antecedents of supplier social compliance. Finally, the study uses data from the survey of suppliers in a developing country. Though today's supply chains are spread over developed and developing countries, existing research provides little understanding regarding social sustainability practices of developing countries' companies in global supply chains (Kumar and Rahman, 2016; Winter and Lasch, 2016).

This study has certain limitations and opportunities for future research. First, it used a cross-sectional design for collecting data. However, BSRs usually flourish and are shaped over a period of time. A cross-sectional design of research cannot capture the longitudinal and dynamic processes that shape the nature of BSRs and SSC. Future research should explore such aspects using a longitudinal research design. Second, the research of Sancha et al. (2016b) shows that in case of environmental management, the effectiveness of transactional and relational BSR is contingent upon certain factors. They found that transactional mechanisms are more effective in the context of high product complexity and high relationship stability and adaptability. Relational mechanisms, on the other hand, are more effective in situations of low product complexity and low relationship adaptability (Sancha et al., 2016b). Future research should explore those contingencies which make each of transactional and relational approaches more suitable in supplier social compliance. Finally, this research used data only from apparel manufacturing and exporting companies of Pakistan because the sensitivity of this sector for SSC is well established and documented. Future research should extend similar inquiries to other sectors in other countries.

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Appendix. Organizational culture scale (Adapted for space)

Organizational culture score for each culture type (Clan, Adhocracy, Hierarchy, and Market) were calculated by summing all points in four dimensions (1, 2, 3, and 4 below). Sum of points given to A, B, C, and D represent Clan, Adhocracy, Hierarchy, and Market cultures respectively.

Please distribute 100 points in any proportion among the four descriptions depending on how *similar* the description is to your business unit.

(Only the core idea of each culture is provided here, for details see Deshpandé et al., 1993).

1. Kind of business unit – Please distribute 100 points.

_____	(A) ... <i>very personal place</i> ...	_____	(B) ... <i>dynamic and entrepreneurial place</i> ...
Points for A		Points for B	
_____	(C) ... <i>formalized and structured place</i> ...	_____	(D) ... <i>production oriented place</i> ...
Points for C		Points for D	

2. Leadership of business unit – Please distribute 100 points.

_____	(A) ... <i>mentor, sage, or a father or mother figure</i> ...	_____	(B) ... <i>entrepreneur, an innovator, or a risk taker</i> ...
Points for A		Points for B	
_____	(C) ... <i>coordinator, an organizer, or an administrator</i> ...	_____	(D) ... <i>producer, a technician, or a hard-driver</i> ...
Points for C		Points for D	

3. What holds business unit together – Please distribute 100 points.

_____	(A) ... <i>loyalty and tradition</i> ...	_____	(B) ... <i>commitment to innovation and development</i> ...
Points for A		Points for B	
_____	(C) ... <i>formal rules and policies</i> ...	_____	(D) ... <i>tasks and goal accomplishment</i> ...
Points for C		Points for D	

4. What is important at business unit – Please distribute 100 points.

_____	(A) ... <i>human resources development</i> ...	_____	(B) ... <i>growth and acquiring new resources</i> ...
Points for A		Points for B	
_____	(C) ... <i>permanence and stability</i> ...	_____	(D) ... <i>competitive actions and achievement</i> ...
Points for C		Points for D	

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