6-2018

Multi-principal collaboration and supplier's compliance with codes-of-conduct

Emanuela Delbufalo

Marko Bastl

International Journal of Logistics Management, Vol. 29, No. 4 (June 2018): 1237-1254. DOI.

Multi-principal collaboration and supplier's compliance with codes-of-conduct

Emanuela Delbufalo

Faculty of Economics, European University of Rome, Rome, Italy

Marko Bastl:

Department of Management, College of Business Administration, Marquette University, Milwaukee, Wisconsin

Abstract

Purpose

The purpose of this paper is to articulate propositions on how collaborating multi-national corporations (MNCs) can manage their supplier base in order to reduce the risk of suppliers' non-compliance with shared codes-of-conduct.

Design/methodology/approach

The study utilises a conceptual theory development approach. In doing so, it utilises key tenets of agency theory that are applied in a multi-principal–supplier relationship context and synthesised in a series of propositions.

Findings

The study shows that MNCs have a variety of mechanisms for reducing the risk of suppliers' non-compliance by decreasing information asymmetry, increasing their bargaining power and simultaneously use of both rewards/sanctions, and reputation-based safeguards.

Research limitations/implications

This is a conceptual theory development study, offering testable propositions, which have then to be empirically validated.

Practical implications

The study showcases that managers of MNCs who find themselves in relationships with non-compliant suppliers have at their disposal a variety of mechanisms to reduce the risk of suppliers' non-compliance.

Originality/value

This is one of the first studies that explore suppliers' non-compliance with codes-of-conduct at the level of a relationship, rather than a single firm. In this way it proposes a theoretical framework grounded in agency theory on managing relationships between multi-principal collaborators and their suppliers.

Keywords

Sustainability, Corporate social responsibility, Agency theory, Europe, Asia, Buyer–supplier relationships, Conceptual research, Theory development, Supplier management, Supplier compliance

Introduction

The widespread use of outsourcing, from low-cost economies and growing concerns about the social and environmental impacts of production and consumption, is fuelling interest in issues related to social responsibility, sustainable sourcing, environmental management and green supply chains (Hofmann *et al.*, 2015; Aguinis and Glavas, 2012; Hill and Rapp, 2014; Lee and Kim, 2009). Corporate social responsibility (CSR) initiatives traditionally have been taken over by multi-national corporations (MNCs), who hold most of the power in supply networks and are responsible for division of tasks between them and their network partners—i.e. suppliers (Jenkins, 2001; Maloni and Brown, 2006).

As part of addressing social and environmental issues, a growing number of MNCs engage in collaborative initiatives with other firms operating in the same industry. One of the main purposes of these collaborative efforts is to develop shared codes-of-conduct aimed at managing and monitoring suppliers' compliance with ethically and socially responsible practices (Arya and Salk, 2006; Mele and Schepers, 2013). These codes stipulate, among other operational issues, that working conditions are safe and hygienic, child labour is not used, working hours are not excessive and wages/pay conditions are fair (Jiang, 2009). Moreover, the collaborative efforts between MNCs have also been seen as a way to establish common policies and action plans, design and encourage the development and adoption of joint best practices, and generally avoid exposing suppliers to potentially conflicting requirements (Aguinis and Glavas, 2012).

The evidence to date, however, shows that in spite of collaborative efforts between MNCs to develop and implement codes-of-conduct, suppliers' lack of commitment and non-compliance is still frequently present (Ciliberti *et al.*, 2009). In fact, "active commitment is a precondition for the successful implementation of the [codes], but the incentive to comply with [them] does not necessarily extend to all the actors in the chain" (Pedersen and Andersen, 2006, p. 228). For example, the Clean Clothes Campaign (2016) report shows that, after a ten-year long period of commitment to worker safety, the major apparel brands and retailers that are part of the Alliance for Bangladesh Worker Safety—including Gap Inc., Target, VF Corporation, Hudson's Bay

Company and Walmart—are still struggling with massive suppliers' non-compliance, unsafe factories and hundreds of thousands of workers at risk. Large global brands (such as Adidas and Nike) experienced similar non-compliance problems with South Asian manufacturers of footballs with regard to child labour practices expressed in multi-stakeholders' codes-of-conduct (Lund-Thomsen and Nadvi, 2010). Suppliers' non-compliance can lead to serious consequences for MNCs resulting in consumer sanctions, negative press, capital loss and damage to a company's brand (Aguinis and Glavas, 2012; Seuring and Müller, 2008). Besides, non-compliant behaviours can negatively impact on suppliers' competitiveness and on their possibility to engage in transactions with MNCs highly committed to social and environmental issues (Mzembe *et al.*, 2016).

The intent of this study is to use a conceptual theory development approach in order to answer the following research question:

RQ1.

How, and under what conditions, could collaborating MNCs effectively manage relationships with their suppliers in order to decrease the risk of suppliers' non-compliance with codes-of-conduct?

In this way a well-established scholarly tradition of theory development is followed, which has been previously applied in the areas of buyer–supplier relationships and supply chain management (e.g. Bastl *et al.*, 2013; Choi and Wacker, 2011; Choi and Wu, 2009; Ketchen and Hult, 2011). In doing so, we turn to agency theory, which specifically focusses on the relationship between a principal and an agent that are engaged in cooperative behaviour, but have differing goals and asymmetric information (Eisenhardt, 1989; Mitnick, 1973).

This study makes two key contributions: first, this is one of the first studies that focus on the relationship between multi-principal collaborators and their suppliers in the CSR context—most studies to date examine this context from the single-firm position (e.g. Egels-Zandèn, 2014; Lund-Thomsen, 2008); second, the utilisation of agency theory enabled us to provide more nuanced insights into effective relationship management between multi-principal collaborators and their suppliers along the key tenets of the theory, namely, information monitoring, bargaining power and relationship safeguards, as opposed to treating relationships as monoliths—i.e. adversarial or collaborative (Prosman *et al.*, 2016). The study also considers the utility of combining formal and informal control mechanisms to manage the tensions related to information sharing between collaborating principals. In this way, a robust and theoretically grounded foundation is offered for analysing this context, one currently missing from the extant literature. The study also has important managerial implications: it shows that managers of MNCs who are collaborating on joint codes-of-conduct to deal with non-compliant suppliers have at their disposal a variety of mechanisms to reduce the threat of opportunism. It also provides suggestions for addressing the potential tensions among collaborating competitors, a highly sensitive problem for MNCs operating in dynamic and turbulent environments.

Theoretical background

In this section, we define the scope of theorising that takes place in this study by introducing the multi-principal collaboration and suppliers' compliance in the CSR context and the key tenets of agency theory.

Multi-principal collaboration and suppliers' compliance in the CSR context

Multi-principal collaboration is defined as the "joint mobilization of resources and formulation of actions set up by organizations sharing common perspectives and needs about environmental and social issues" (Risso, 2012, p. 66). It is a form of horizontal inter-firm collaboration, which occurs between competing firms, and therefore different from traditional "vertical collaboration", which occurs between buyers and their suppliers in the implementation of CSR initiatives (Peloza and Falkenberg, 2009).

The extant literature suggests that there are several underlying rationales why MNCs engage in multi-principal collaboration for development and implementation of shared codes-of-conduct: from the buyers' (i.e. MNCs') standpoint, multi-principal collaboration aims to reduce market and sourcing risks in situations where control over the supply base by buyers is difficult (Lee and Kim, 2009). This is the case, for example, in supply chains characterised by arm's-length relationships, standardised products and price reduction pressures (Risso, 2012), low levels of supply chain transparency and reduced collaborative attitudes of suppliers (Jiang, 2009). Moreover, it aims to increase buyers' collective leverage and sharing of monitoring costs, which are considerable, given the complexity of fixing environmental deficiencies and the sheer number of suppliers (Blome and Paulraj, 2013). For example, in 2007, Nike began working with like-minded buyers, such as Levi Strauss and Adidas, on environmental, health and safety audit report sharing, monitoring and remediation of their common Chinese apparel suppliers (Plambeck *et al.*, 2012). Through multi-principle collaboration, MNCs expect to derive from suppliers' better environmental performance information in a more systematic way than they garnered in the early days of compliance evaluation, when they developed monitoring programmes individually. They also expect to alter the perceived incentives structure, thus increasing the suppliers' participation in the implementation of codes-of-conduct (O'Rourke and Brown, 2003).

From the suppliers' standpoint on the other hand, a multi-principal collaboration aims to rationalise the monitoring and auditing activities, homogenise CSR objectives and standards, and obtain more effective support (in terms of action plans) from the buyers in fixing social and environmental deficiencies (Egels-Zandèn, 2014). This is evident, for example, in commentary from Luen Thai's managers, who continuously complained of having to spend more time and resources attending to audits and writing corrective action plans for a multiplicity of different buyers than focussing on correcting issues found in previous audits and improving their overall social and environmental performance (Plambeck *et al.*, 2012).

However, in spite of MNCs' initial enthusiasm, several issues have been permeating the implementation of shared codes-of-conduct with their suppliers and strongly reduce the suppliers' compliance (i.e. the degree of adherence of suppliers' decisions and operations to the standards and metrics reported in the MNCs' codes-of-conduct) (Montabon *et al.*, 2016). One example of such issues is the risk of opportunism and information appropriation, as MNCs can utilise the information provided by the suppliers for their own purposes, with the aim of increasing suppliers' dependence and compromising the relationship (Fernandez and Chiambaretto, 2016). Furthermore, suppliers' degree of commitment to the adoption of codes-of-conduct is not uniform. In fact, anecdotal evidence suggests it may vary significantly, as some suppliers welcome collaborative actions and monitoring, while others feel uncomfortable with them, at least initially. As stated in the work of Plambeck *et al.* (2012, p. 48) "The experience of having a group of auditors simultaneously poring over a factory's records can be intimidating for suppliers. As a result, it pays to start off [multi-principal collaboration] slowly to accustom suppliers to the concept and see its benefits. This may mean simply sharing findings about a factory in the beginning rather than immediately conducting joint on-site audits". Such varying degrees of commitment can introduce tensions in the relationship between MNCs and non- or less committed suppliers, which requires a carefully considered approach to relationship management and roll-out of codes-of-conduct. Finally, it is not uncommon to find suppliers whose primary interest is in obtaining legitimacy and creating a perception of compliance with codes-of-conduct, rather than fully implementing the practices prescribed in the actual codes (cf. Egels-Zandèn, 2007, 2014). Reasons for this discrepancy are multiple, amongst those most often cited are: negative impact of CSR standards on suppliers' production costs and responsiveness (Jiang, 2009; Ngai, 2005); multiple CSR requirements from different MNCs which increase confusion and uncertainty in the buyer–supplier relationships (Locke *et al.*, 2007); ineffective incentives structure for suppliers to comply with the codes (Armbruster-Sandoval, 2005); difficulties in communication and information sharing between buyers and suppliers, due to cultural and physical distance (Jiang, 2009); and ineffective MNCs' monitoring systems (Jiang, 2009; Lund-Thomsen, 2008).

Given the critical need for supply chain actors' compliance with codes-of-conduct and the rather mixed success rate that multi-principal collaboration on codes-of-conduct has had to date, calls for a deeper, more systematic understanding of the surrounding issues. In response to this we turn to agency theory as a theoretical lens through which we theorise: how and under what conditions could collaborating buyers effectively manage relationships with their suppliers in order to decrease the risk of suppliers' non-compliance with codes-of-conduct. We begin by first introducing the key tenets of agency theory.

Agency theory

Agency theory concerns the study of problems that arise when one party (the principal) delegates authority—in terms of decision making and control over specific tasks or activities—to another party (the agent) (Eisenhardt, 1989; Mitnick, 1973). The theory focusses on relationships in which principal and agent are engaged in cooperative behaviour, but have differing goals and attitudes towards risk.

The principal–agent relationship is affected by (agency) problems, i.e. problems of the principal arising because the agent has different objectives (goal conflict) and private information about its intentions, abilities and behaviour (information asymmetry). Two agency problems exist: misrepresentation of ability (adverse selection) and lack of effort (moral hazard), both of which are attributed to the agent (Saam, 2007). When an agency problem exists, principals have two basic choices: reduce/eliminate goal conflict; or reduce/eliminate information asymmetry (Whipple and Roh, 2010). In the first case, the principal must incentivise the agent in a way that encourages the latter to act consistently with the former's interests, thus aligning the goals of both (Eisenhardt, 1989; Jensen and Meckling, 1976). Incentives could be offered in the form of an outcome-based contract whereby "the agent is compensated solely on the basis of performance outcomes" (Lassar and Kerr, 1996, p. 615), or behaviour-based contracts, which "identify the specific behaviours expected of the agent" (p. 616). In the context of buyer–supplier relationships, outcome-based contracts would typically involve some type of price premium in order to "make cheating unprofitable" (Mishra *et al.*, 1998, p. 280), such as cost-plus incentives and/or risk-sharing mechanisms. Behaviour-based contracts consider—and detail—specific behaviours required by the buyer and "may impose restrictions on variables such as inventory levels, range of products stocked […]" (Lassar and Kerr, 1996, p. 616).

In order to reduce/eliminate the information asymmetry, the principal can utilise a behaviour-based contract to try to stimulate the agent's appropriate behaviour (Eisenhardt, 1989; Whipple and Roh, 2010). Both behaviour-based and outcome-based contracts are associated with (agency) costs, strictly commensurate with a number of relationship-specific factors, such as the complexity of the task, the ability to monitor and the degree of uncertainty (Arrow, 1985). These costs arise because both parties in the relationship (principal and agent) are assumed to hold self-serving interests and the contracts used to align those interests are *per se* incomplete. As a consequence, the principal requires additional mechanisms to mitigate the enduring agency problems (adverse selection and moral hazard). In line with the phenomena of interest and objectives of this research, we focus on three specific mechanisms able to reduce information asymmetry and goal conflict, both responsible for the two agency problems in the principal–agent relationship. We explain the effects of these mechanisms next:

1) Information monitoring systems: these serve to control the agent and are seen as a typical solution to information asymmetry (Jensen and Meckling, 1976). When the principal systematically collects information on the agent's activities, the agent is more likely to behave in the interests of the principal as the principal has information to verify the agent's behaviour (Eisenhardt, 1989). Efficient information monitoring makes it more difficult (and less convenient) for the agent to evade control and misrepresent its abilities. In contrast, it significantly motivates the agent to take appropriate actions and behaviour, thus reducing both adverse selection and moral hazard problems. However, the development of an effective information monitoring system generates costs to the principal and is

subject to some degree of uncertainty as perfect monitoring is unrealistic. As pure information monitoring systems are often inefficient, they may be complemented by safeguards such as rewards and sanctions.

2) Asymmetry of bargaining power: if principal and agent interact, both exert bargaining power on each other. The principal exerts power if he/she changes the belief, attitude or behaviour of the agent (e.g. by implementing a monitoring system); the agent exerts power if he/she changes the belief, attitude or behaviour of the principal (e.g. by giving or hiding some information from the principal). Agency theory makes implicit assumptions on the power relationship between principal and agent, and assumes an asymmetry in bargaining power in favour of the principal. In fact, by offering the agent different contracts (which vary the risk and returns of the agent) or by designing incentives to discourage opportunism, the principal manipulates the agent's social environment. By virtue of having greater bargaining power, the principal is able to design specific behaviour settings in which the agent may not only give information which was hidden before, but may also change the agents' behaviour to align it with the principal's goals (Saam, 2007). Such an imbalance of power in favour of the principal is essential to reduce the goal conflict issue, thus mitigating the moral hazard problem.
3) Safeguards or protective mechanisms: safeguards are the "means to ensure that an agent fulfils the obligations according to the agreement" (Koch, 1995, p. 8). The common rationale for safeguards is that "the agent functions as a utility maximizer and the safeguards therefore all contain some aspect of formal, standardised and foreseeable economic incentive, either positive or negative" (Eriksen and Jessen, 2009, p. 32). The safeguards are a means to reduce goal conflict by making it economically prudent (or convenient) not to behave opportunistically and by making the principal able to impose serious economic consequences on the agent (Buvik and Reve, 2002). Typical examples of safeguards are: rewards and sanctions, reputation effect and third-party intervention (Bergen *et al.*, 1992).

In the next section, we apply agency theory in the multi-principal–supplier context.

Agency theory in the multi-principal–supplier context

In this section, agency theory is applied in the context of the multi-principal–supplier relationship. We do this by discussing key assumptions of agency theory in this context, which is then followed by the synthesis of our theorising in the set of propositions, addressing the following key aspects of the multi-principal–supplier relationship: information monitoring, bargaining power and relationship safeguards.

Key assumptions of agency theory in the multi-principal–supplier context

Agency theory has been widely applied in supply chain management, exploring phenomena such as information sharing, incentive alignment and risk management (Bergen *et al.*, 1992; Fayezi *et al.*, 2012). In the context of CSR and codes-of-conduct, it has been applied to manage supplier quality fade issues (Whipple and Roh, 2010) or to safeguard CSR decisions (Pedersen and Andersen, 2006). The theory is useful to analyse many other business settings where cooperating parties are experiencing agency problems that have arisen from goal conflict and information asymmetry (Eisenhardt, 1989). This is the case when MNCs implement a code-of-conduct in buyer–supplier relationships and expect compliance. When applying agency theory in such context, the initiator (i.e. the buyer) is considered to be the principal and the supplier the agent. In the context of our study, the role of a principal is assigned to a collaborative MNC, and the role of an agent to a supplier. Violations against the pre-agreed code-of-conduct can be seen as supplier's opportunistic behaviour.

The agency problems in this context originate from the imbalanced distribution of costs and benefits: while the positive return associated with a CSR strategy will benefit the buyer more than the suppliers, the costs associated with complying with the initiative are equally distributed among all the actors (Barrientos, 2002). Such an imbalance, if not dealt with by the buyer, is a strong cause of opportunistic behaviour (Eriksen and

Jessen, 2009). Furthermore, suppliers entering into contractual relationships with many large buyers may be confronted with multiple CSR strategies that incorporate different standards and requirements with which they need to comply (Andersen and Skjøtt-Larsen, 2009). This entails additional costs for suppliers and thus an additional threat of opportunism. In such situations, the information asymmetry between buyer and supplier places the buyers at risk and provides the suppliers with the ability to evade some aspects of the relationship (by misrepresenting their ability or limiting their efforts).

In order to mitigate the principal's vulnerability and considering the low-outcome uncertainty of the situation (since the outcome is mostly a function of the supplier's performance rather than external factors outside the supplier's control), a hybrid contract with both behavioural and outcome elements is appropriate (Whipple and Roh, 2010). The code-of-conduct fulfils this function as it contains both behaviour-based and performance-based targets (Erwin, 2011). The buyer develops a code-of-conduct to reduce the suppliers' ability to shirk and thus mitigate the asymmetry of information between them. However, an additional element of agency theory needs to be addressed: goal conflict or motivation to cheat. In a situation of high goal conflict, as the one being considered here, buyers should contemplate taking additional action beyond the code's provisions (Whipple and Roh, 2010).

In the next section, we examine multi-principal–supplier relationships through the lens of key tenets of agency theory. The analysis begins by focussing on shared information monitoring systems as a mechanism for the reduction of information asymmetry, then moves on to the role of bargaining power in relation to principal–agent goal conflict, followed by the role of relationship safeguards, and concludes with information-sharing tensions between the collaborating principals.

Multi-principal–supplier relationship and information monitoring

In buyer–supplier relationships, the actors have access to different, often insufficient, information about their partners' behaviour. This asymmetric information between interacting parties affects the degree of risk in the relationship and represents a central issue to consider. In an ideal situation, perfect information would reduce the threat of opportunism as it would make it easier to detect actors' opportunistic behaviour (Petersen, 1993). The principal would therefore employ a behaviour-based contract and compensate the agent accordingly (Eisenhardt, 1989).

While information does not in itself possess the characteristics of a safeguard, it does act as a means necessary to enable the safeguards to function. As such, an information acquisition system is a vital part for the effectiveness of codes-of-conduct implementation and for the suppliers' monitoring process. As shown by Eriksen and Jessen (2009), obtaining wanted information concerning suppliers' behaviour in distant geographic areas is costly and time-consuming. This is particularly true if the intervention of a specialised partner with a deeper knowledge of the context and with distinctive competences is needed. For the information acquisition process to be effective it has to be employed on a large scale, which implies considerable resource expenditure that a single organisation might not have.

A multi-principal collaboration addresses these problems as it reduces complexity, information search risks and overall costs of obtaining information from suppliers. The collaborating buyers often put together tangible and intangible resources to develop collective information gathering processes, presenting themselves as a unique voice to suppliers. For example, in the apparel industry Adidas, Nike and Levi Strauss use the Fair Factories Clearinghouse's (FFC) compliance database to store and share suppliers' compliance performance information. The FFC enables members to share factory audit reports and corrective action plans, thus increasing the quality and efficiency of both buyers' and suppliers' efforts. In 2011, Adidas reported that through the FFC, it managed to significantly improve collaboration with other corporations by harmonising or creating common information gathering practices in shared factories located in Brazil, Egypt, Honduras, Indonesia, Israel, Mexico and Turkey (Porteous *et al.*, 2012).

Moreover, companies use multi-principle collaboration as a means of increasing the quality of collected information on suppliers' compliance with codes-of-conduct, which ultimately results in increased transparency and decreased information asymmetry between principals and agents. This is showcased in the Sustainable Apparel Coalition, where members including Adidas, Coca-Cola, Gap, H&M, Levi's, Nike, Puma, in July 2012 launched "The Higg Index"—a self-assessment tool to help firms evaluate suppliers' products, facilities, processes and materials used, based on a range of environmental and social parameters. In addition to being for internal analysis purposes, the index is also used as a benchmark for existing CSR schemes, thus providing firms with a basis for comparison and improvement (Sustainable Apparel Coalition, 2017).

Both the reduced costs of information gathering and the increased quality of collected information about suppliers' behaviours contribute to the ease of detection of potential suppliers' opportunistic behaviour and therefore enable buyers to employ corrective mechanisms and rewards to compensate suppliers accordingly. Moreover, the collaborative nature of work between the principals fosters more effective and efficient information dissemination about suppliers' behaviour. The information sharing concerning suppliers' performance among collaborating principals enhances the quantity of information available, which contributes to the reduction of information asymmetry and discourages suppliers from non-compliant behaviour. Given the preceding theorising, the following proposition is presented:

P1.

Supplier's compliance with codes-of-conduct will increase when multi-principal collaboration results in the decrease of information asymmetry between the principals and the supplier.

Buyers can gather information on suppliers' compliance with CSR policies by themselves (using internal auditors) or by using a third party. Third parties are usually specialist companies or institutions, possessing unique competences related to a specific geographical or institutional context, which buyers do not necessarily possess. MNCs' decision to include third parties in CSR initiatives is primarily driven by two factors: first, MNCs may be unable to account for all contingencies (e.g. labour legislation specifics, particular environmental compliance) to formulate the compliance rules in such a way that involved parties (buyers and suppliers) would interpret them in the same way. If the ambiguity and risk of misinterpretation pertains, buyers run the risk of not being able to recognise (and prove) that suppliers have not complied with the agreement (Milgrom and Roberts, 1992). In such a situation, the role of a third party serves as a protective mechanism in reducing the code's ambiguity and preventing violations of the code-of-conduct through a correct interpretation of the policies and standards. Second, buyers may use third parties for the monitoring of supplier's compliance and ensuring transparency and objectivity in information acquisition and elaboration, not only with regard to the suppliers but also for the collaborating MNCs. The presence of a third party provides indirect assurance that none of them tries to dissimulate, appropriate or take exclusive advantage of valuable information (Pedersen and Andersen, 2006).

Inclusion of third parties in the formulation of compliance rules and suppliers' monitoring is not without risks. O'Rourke (2002), for example, showed that third parties' failure to accurately assess suppliers' compliance with codes-of-conduct decreases buyers' ability to make fully informed strategic decisions and subjects these firms to the risk of negative reputational consequences (Short *et al.*, 2015). In fact, failure of the third party to provide the collaborating buyers with accurate and relevant information about suppliers' compliance with codes-of-conduct increases information asymmetry between the buyer and supplier, and consequently increases the risk of supplier's non-compliance.

In order to increase the accuracy of third party monitoring (and thus obtain the benefits from their inclusion), collaborating buyers have two key options (Whipple and Roh, 2010): adoption of behavioural-based contracts, or adoption of monitoring protocols. A behaviour-based contract is suitable in situations with high levels of outcome uncertainty, which in the CSR context stems from changes in government policies, economic climate, competitor actions and other uncontrollable factors which can negatively affect the third party's monitoring ability. Furthermore, auditing activities are, by nature, characterised by a degree of uncertainty because they require a certain degree of collaboration from the audited suppliers, which are not always open to information sharing or available to take part in the process. Monitoring protocols on the other hand aim to assure the programmability of the third-party activities (O'Rourke, 2002). Programmability is defined as the degree to which appropriate behaviour by the partner can be specified in advance (Eisenhardt, 1989). Agency theory suggests that the behaviour of a partner engaged in more programmed jobs is easier to observe and evaluate (Eisenhardt, 1989). Thus, the more programmed the task of a third party, the easier it is to evaluate its behaviour in the monitoring activity. For example, the Validated Audit Process, established in 2009 by the Electronic Industry Citizenship Coalition, includes standard specifications for the third parties involved in the monitoring such as, detailed instructions for auditee preparation, auditee corrective action plan management and code interpretation, with the aim of making the monitoring process transparent and homogeneous (EICC, 2016).

In the situation considered here, the most efficient decision is to combine the two options above. In fact, if the contracts with the monitoring third party are not designed carefully, opportunistic behaviour may occur in the unmeasured areas, so that the spirit of the contract may be lost. However, even if the third parties possess the "right" skills to perform an accurate monitoring, they may still fail to use them if information asymmetry allows such actions and if there are cost savings involved (Mishra *et al.*, 1998). The combination of behaviour-based contract and monitoring protocols ensures that the actions of the third party can be specified in advance and behaviour parameters defined up front, easing the task of measuring that behaviour. As Eisenhardt (1989, p. 58) proposed: "When the Principal has information to verify Agent behaviour, the Agent is more likely to behave in the interest of the Principal". Besides, the combination of the two options reduces the uncertainty in the relationship between collaborating buyers and the third party, thus assuring the third party's success in accurately assessing suppliers' compliance with codes-of-conduct. The third party's ability to provide the collaborating buyers with accurate and relevant information about suppliers' behaviour reduces information asymmetry in buyer–supplier relationships, and consequently decreases the risk of suppliers' non-compliance.

Considering the above, the following proposition is presented:

P2.

Supplier's compliance with a code-of-conduct will increase when the relationship between multi-principal collaborators and the monitoring third party is governed by a behaviour-based contract combined with a monitoring protocol assuring task programmability.

Multi-principal–supplier relationship and bargaining power

Bargaining power in a buyer–supplier relationship is a combination of market power and resource power (Buvik and Reve, 2002). Market power is an actor's ability to influence another actor due to his/her economic importance or the degree of market concentration, where the resource power is determined by the importance that the relationship has for the parties involved.

Traditionally, agency theory dedicates little attention to the consideration of asymmetries of power between parties. The rationale for this is rooted in the notion that by designing the right contract, considerations of power asymmetry between principal and agent should become redundant (Perrow, 1986). The assumption of a risk-averse agent (Eisenhardt, 1989) locks the role of bargaining power into a static explanation in which the principal—due to its more neutral attitude towards risk—is less dependent on the agent, while the agent—due to its risk aversion—is more dependent on the principal (Tomkins, 2001).

However, in a buyer–supplier relationship this issue may be different. First, unlike the traditional agency theory assumption, suppliers are not necessarily risk averse. Suppliers can diversify their risks by developing relationships with a range of different buyers within the same industry. In doing so, the suppliers—not highly dependent on a single buyer—have less incentive to follow CSR standards because the risk of non-compliance is diversified away. Second, it will be difficult to transfer risk from buyer to supplier in a way that will leave the buyer exempt from risk, as assumed in traditional agency theory, e.g. any CSR violation by the supplier will affect the buyer at least as much as it can affect the supplier (Eriksen and Jessen, 2009). This is due to the assumption that the exposure to non-compliance causes most damage to the brand of the company closer to the end-consumer, rather than to the supplier further upstream in the supply chain (Barrientos, 2002). Thus, we argue that an important driver for suppliers' non-compliance with a code-of-conduct is the asymmetry in bargaining power between the principal/initiator and the agent/supplier, skewed towards the supplier.

As the initiator of a code-of-conduct is not a single corporation but a number of large buyers (competitors in the same industry), the possibility of diversifying the risk of non-compliance by the suppliers decreases. Equally, the negative response to CSR requirements by each supplier may result both in collective and more coordinated corrective actions promoted by a multiplicity of buyers. Furthermore, non-compliant behaviour damages many business relationships between supplier and collaborating buyers. By developing common standards and CSR practices, MNCs act as a "homogeneous" organisational entity with regard to social and environmental issues. This results in MNCs' increase of market power and their collective importance for suppliers, which, in turn, enables them to exert a stronger influence over suppliers' incentives to follow CSR requirements and comply with the shared codes-of-conduct.

However, in order to maximise the effect of increased buyers' bargaining power over the suppliers' incentive structure, MNCs should be able to exert their "collective" control over a common supply base. When the set of suppliers—for which a shared code-of-conduct has been developed—is common to all the buyers involved, the possibility for the suppliers to elude the (collective) monitoring is low and the incentives to comply with the shared CSR standard significantly increase. This situation restores the "original" agency theory assumption of the risk-averse agent, as it decreases the possibility for suppliers to diversify away the risk of non-compliance (Eisenhardt, 1989). For example, such collective behaviour can be seen among the members of the "Joint Audit Cooperation" (JAC), a collaboration among competitors established in 2010 in the telecommunication industry (Appolloni *et al.*, 2013). JAC's key purpose has been to dedicate joint efforts (code-of-conduct development, suppliers' monitoring and auditing) to a common set of Asian suppliers, over which, individually, they had scant influence. This behaviour was described by one of the members in the following way "Each member has the responsibility to operate on behalf of the other members and lead to an end-to-end supplier assessment. Suppliers are identified by all the JAC members, and then equally assigned in groups to each member who bears the cost and management of their assigned suppliers with any subsequent results shared amongst the member companies" (Appolloni *et al.*, 2013, p. 24).

Considering the above theorising about the multi-principals' collective bargaining power over suppliers, the following proposition is presented:

P3.

The greater the buyers' collective bargaining power over their suppliers, and the larger the portion of shared supply base, the lower the risk of suppliers' non-compliance with codes-of-conduct.

Multi-principal collaboration and safeguards

The extant literature argues that relationship safeguards can lead to compliance because they influence the incentives of the suppliers, so that it is in their best economic interests to comply (Eriksen and Jessen, 2009). Here, we consider two different safeguards for codes-of-conduct: reward and sanction; and reputation effects.

In the context of compliance with codes-of-conduct, rewards and sanctions impact on the cost/benefit imbalance between MNCs (code initiators) and suppliers. Rewards can be utilised in two different ways: as a premium price on products bought by compliant suppliers; and, as a help to the supplier, who is dealing with increased costs related to compliance; however, for such investments to make sense for MNCs, there has to be a causal (direct) link between reward and suppliers' compliant behaviour (Pedersen and Andersen, 2006). As the function of sanctions is to penalise suppliers' non-compliance, in the most extreme cases of non-compliance, the buyer can terminate suppliers' contracts (Prosman *et al.*, 2016).

Considering the above, one could argue that multi-principal collaboration has the potential to enforce both the rewarding and sanctioning safeguards. On the one side, collaborating buyers have more resources and possibilities to recompense compliant suppliers, and can also develop common procedures to accomplish this goal. Furthermore, buyers might jointly develop more efficient practices to help suppliers with the increased costs related to CSR implementation, e.g. the supporting tools developed by the JAC members in the telecommunication industry (solution database, reports and best practices). On the other side, their collective efforts might also result in a more effective and efficient sanctioning system for the suppliers. The collaborating buyers can develop common procedures to sanction non-compliant behaviours and a more structured and coordinated approach to make the sanctioning system more effective (Eriksen and Jessen, 2009).

Rewards and sanctions, as safeguards, are only effective if they are a credible action/threat (Aguinis and Glavas, 2012), e.g. the threat of exiting a relationship with a supplier has little effect if the buyer is highly dependent on the supplier's products. In contrast, the suppliers have a strong incentive to honour the terms of a code-of-conduct, if their future depends on continuous cooperation with the buyers (supplier dependence). To increase their credibility, the relationship safeguards need to be jointly developed and implemented by collaborating principals (Cuevas-Rodríguez *et al.*, 2012). The principals' joint safeguarding has the double effect of reducing single-buyer dependence while increasing suppliers' dependence on collaborating buyers. Through an increase in the bargaining power of buyers and the supplier dependence on all of them, a multi-principal collaboration makes jointly developed reward and sanction safeguards more credible signals to suppliers. Because their behaviour would be analysed by a multiplicity of buyers—all acting together with a relevant economic importance—the suppliers have a strong incentive to honour the shared standards and all other CSR practices.

Following the preceding theorising about the use of rewards and sanctions, the following proposition is presented:

P4.

Supplier's compliance with codes-of-conduct will increase when multi-principal collaboration results in enforced relationship safeguards based on both rewards and sanctions.

Reputation effect is seen as a resource that influences future income (Koch, 1995), and is one of the main reasons why companies are adopting CSR initiatives in the first place (Pedersen and Andersen, 2006). Reputation effect acts in two ways: the buyers' reputation of socially responsible and reliable partners positively influences the motivation of suppliers to become part of the relationship, and thus comply with buyers' CSR practices; and suppliers' reputation can be seen by buyers as a resource, which influences future economic transactions (Bensaou and Anderson, 1999). For example, if the supplier acts opportunistically, the buyer may not engage with it in future business; in fact, it may circulate information about the suppliers' opportunism within its supply network, and in doing so, extends the effect of a negative reputation to a multiplicity of relevant actors. The supplier's choice of action therefore depends on its evaluation of the costs and benefits of being a reliable partner. The multi-principal collaboration affects the reputation mechanism in multiple ways (Hill and Rapp, 2014). On the one hand, the MNCs' joint efforts in developing shared standards and policies show their concrete commitment to CSR initiatives and increase the reputation of the involved firms as socially responsible partners both towards customers and suppliers. Multi-principal collaboration also reduces the costs associated with establishing and maintaining a reputation as an honest and trustworthy partner for all the buyers involved, thus increasing the motivational role and utility of this safeguard for suppliers' compliance (Ciliberti *et al.*, 2009). On the other hand, a multi-principal collaboration increases the value of suppliers' reputation in the business environment, i.e. the safeguarding role of reputation is increased because suppliers' behaviour can influence future cooperation with a multiplicity of collaborating buyers. Thus, the following proposition is presented:

P5.

The reputational effect of multi-principal collaboration will positively incentivise suppliers to comply with codes-of-conduct.

Multi-principal collaboration: reflection on tensions related to information sharing among competitors

Multi-principal collaboration falls into the category of "coopetition", where competing firms in the same industry work jointly towards the same goal—for this paper, ensuring suppliers' compliance with shared codes-of-conduct. While coopetition combines the benefits of cooperative and competitive behaviours, and is seen by some as producing greater benefits than pure collaborative agreements (e.g. Le Roy and Fernandez, 2015), it also introduces tensions related to the sharing and protecting of information between coopeting companies (Fernandez and Chiambaretto, 2016). Buyers can use shared information and knowledge to analyse the environmental and social deficiencies of suppliers; they can learn from one another and define corrective actions for non-compliant suppliers (Arya and Salk, 2006). However, they remain competitors and the information shared between them could be potentially misused for the purposes of obtaining individual companies' benefits and advantages (Nelson and Winter, 1982). The dilemma between a company's need to share information in order to ensure the success of the collaborative initiative and its need to limit information sharing to protect its sources of competitive advantage generates tensions among competitors and discourages potential companies from taking part in such projects (Arya and Salk, 2006).

To manage this tension, most firms rely on control mechanisms: "a set of formal and informal rules that is designed to control the behaviour of the partners and of the alliance *per se*" (Fernandez and Chiambaretto, 2016, p. 68). Control mechanisms are implemented to facilitate interactions between competitors while increasing the incentives for the partner to eliminate (or at least reduce) opportunistic behaviours. Control mechanisms assume several forms: formal ones comprise contracts that define rules and penalties related to the information shared between competitors; they also refer to (formal) procedures or structures to support the strategic development of the collaboration (Lee and Cavusgil, 2006). A common example of formal control developed in CSR collaboration is the confidentiality agreement, which contains indications for information sharing among buyers.

In addition, informal control mechanisms can be used to make decisions on a daily basis and to complement formal mechanisms (Hurmelinna-Laukkanen and Olander, 2014), e.g. to help categorise information and determine if a particular type of information should be shared or externally communicated. The most frequently mentioned informal control mechanism is trust (Das and Teng, 2004). As the principals have a common interest to pursue, they are more likely to perform honest and selfless actions. The voluntary component of this decision and the presence of a "natural" goal congruence among the principals leave room for the trust mechanism to be considered and to effectively function. In such a situation, creating a climate of trust increases the portion of a partner's utility associated with feelings of achievement or self-esteem resulting from performing well, and decreases the disutility associated with the effort required (Cuevas-Rodríguez *et al.*, 2012). These conditions are likely to result in fewer conflicts of interest between collaborating principals. Besides, the alignment of the principals will also improve the relationship with the suppliers as the trust-based social contract developed by the collaborating buyers gives the supplier a consistent message which is easily translated into strong incentives to comply (Tate *et al.*, 2010).

Given the preceding theorising, the following proposition is presented:

P6.

Supplier's compliance with a code-of-conduct will increase when the information sharing among the multi-principal collaborators is governed by a combination of formal and informal control mechanisms.

The preceding theorising and developed propositions are summarised in the conceptual model, depicted in Figure 1.

Discussion and conclusions

In this study, we turn to agency theory to theorise about ways in which multi-principal collaborators could manage relationships with their suppliers in order to decrease the risk of suppliers' non-compliance with shared codes-of-conduct.

Most of the extant literature on suppliers' compliance with CSR standards focusses on single-firm initiatives and addresses the problem of CSR standards' compliance by analysing dyadic buyer–supplier relationships from the perspective of a single firm (e.g. Egels-Zandèn, 2014; Lund-Thomsen, 2008). Herein lies our first contribution as we focus on the relationship between the multiple collaborating MNCs and their suppliers. By shifting the focus from a single firm level of analysis to the relationship level, we offer a codes-of-conduct novel perspective that shows how collaborating MNCs—which share the same environmental and social objectives and have similar characteristics and attitudes towards risk—could more effectively manage relationships with their suppliers. This aspect has been widely ignored in the literature examining CSR initiatives, where the focus has been both on the relational dynamics among stakeholders (MNCs but also NGOs, international organisations and government) and on the impacts of such dynamics on suppliers' collaboration (Mele and Schepers, 2013; Roloff, 2007).

By drawing on key tenets of agency theory—i.e. information monitoring, bargaining power and safeguarding mechanisms, we provide a more granular, yet theoretically grounded foundation for analysing the multi-principal–supplier relationship, with the aim of decreasing suppliers' non-compliance with shared codes-of-conduct. This is currently absent from the extant literature (e.g. Barrientos and Smith, 2007; Egels-Zandèn, 2014; Lee, 2008; Locke *et al.*, 2009) and it is here where we position our second contribution.

We show in our analysis that joint actions of collaborating MNCs lead to a reduction of information asymmetry in the relationship with their suppliers through more efficient information monitoring systems. This extends the current body of literature on information gathering in the CSR context, which is mainly focussed on the trade-offs between internal and external auditing (Hill and Rapp, 2014), and argues in support of a third-party inclusion in the process. While we do not oppose an established practice of including third parties in supplier monitoring activities, we suggest that where task programmability of a third party's monitoring activities is high, the risk of unwanted information asymmetries between multi-principal collaborators and their suppliers will be lower due to the lesser chance of the third party's failure to effectively monitor principals' supplier base.

Second, we showed that multi-principal collaboration results in the increase of MNCs' bargaining power over their suppliers, particularly in situations where the proportion of shared supplier base is high. An increase of MNCs' bargaining power acts as an effective mechanism for reducing goal incongruence between principal and agent, and thus lowers the risk of suppliers' non-compliance. This extends the current body of knowledge, given that extant studies largely ignore the role of bargaining power, through analysing relationships between MNCs and suppliers (e.g. Locke *et al.*, 2009; Saam, 2007). The study also extends the emerging body of knowledge of social interaction between actors in the context of CSR (Aguilera *et al.*, 2007; Lee, 2008), by highlighting the ability of multi-principal collaboration to enforce rewards and sanction-based safeguards in order to reduce goal conflicts between collaborating buyers and suppliers. Furthermore, we show that it is not only the vertical relationship (i.e. relationship between the multi-principal collaborators and suppliers) that has to be effectively managed, but also the horizontal—i.e. the relationship between collaborating principals. We point specifically towards the tensions related to information sharing between collaborating principals and the need for the use of formal and informal control mechanisms to cater for potentially conflicting interests between collaborating competitors. The focus on the horizontal relationship among the collaborating buyers allows reflection on the importance of the alignment among MNCs. Such alignment will also impact on the relationship with suppliers as it makes the message from the buyers more credible and consistent, becoming a strong incentive for suppliers to comply.

This study has also important managerial implications. It shows that managers of MNCs who are collaborating on joint code-of-conduct development and find themselves in situations where they have to deal with non-compliant suppliers should not despair. Managers have to proactively manage relationships with their suppliers, rather than adopting a hands-off approach (as the case of Staples in Grant and Ando, 2008). In doing so, they have at their disposal a variety of mechanisms that, if effectively used, may result in a decrease in suppliers' non-compliance. Specifically, we suggest focussing attention on improving the information monitoring system and designing appropriate relationships with a specialised third party, as these actions will be reflected in reduced information asymmetry with suppliers. Moreover, managers should focus on increasing buyers' bargaining power and jointly develop safeguards, as these will increase goal congruence between MNCs and their suppliers. Finally, the study provides suggestions for addressing the potential tensions among collaborating competitors, a highly sensitive problem for MNCs operating in dynamic and turbulent environments (Fernandez and Chiambaretto, 2016). This is particularly important, considering the risks related to leakage of sensitive information, and the consequent negative repercussions on companies' reputation and competitiveness, which is considered one of the main limitations for such collaborative initiatives in a CSR context (Arya and Salk, 2006).

As this work is conceptual in its nature, we propose several avenues for further research. First, this work requires empirical testing. The adoption of a deductive (theory-testing) qualitative case-based approach is proposed, which can be executed through a competing theory or longitudinal data approach (see Barratt *et al.*, 2011 for more methodological details and Ketokivi and Choi, 2014 for case study research for testing). This would enable researchers to refine our propositions and the theoretical boundaries of our work. A qualitative approach is suggested in order to capture the complexity of the phenomenon (i.e. relationships' management in CSR contexts) with the intent to build and extend theories, to explore the interaction of multiple variables and better understand emerging issues in their real-world settings (Barratt *et al.*, 2011). Second, we suggest expanding the understanding of multi-principal collaboration in CSR contexts by integrating agency theory with behavioural perspectives (Cuevas-Rodríguez *et al.*, 2012). Trust-based and commitment-based mechanisms of control over agents' behaviour can be combined with extrinsic incentives prescribed by traditional agency theory. Finally, while this research proposes a number of incentives to increase suppliers' compliance with CSR targets in a multi-principal collaboration environment, it does not investigate the role of public regulations as a complementary mechanism to MNCs' private initiatives (e.g. Amengual, 2010), which is another important area for future research.

References

Aguilera, R.V., Rupp, D.E., Williams, C.A. and Ganapathi, J. (2007), “Putting the S back in corporate social responsibility: a multilevel theory of social change in organizations”, Academy of Management Review, Vol. 32 No. 3, pp. 836-863.

Aguinis, H. and Glavas, A. (2012), “What we know and don’t know about corporate social responsibility: a review and research agenda”, Journal of Management, Vol. 38 No. 4, pp. 932-968.

Amengual, M. (2010), “Complementary labor regulation: the uncoordinated combination of state and private regulators in the Dominican Republic”, World Development, Vol. 38 No. 3, pp. 405-414.

Andersen, M. and Skjøtt-Larsen, T. (2009), “Corporate social responsibility in global supply chains”, Supply Chain Management: An International Journal, Vol. 14 No. 2, pp. 75-86.

Appolloni, A., Risso, M. and Zhang, T. (2013), “Collaborative approach for sustainable auditing of global supply chains”, Symphonya—Emerging Issues in Management, Vol. 2 No. 2, pp. 19-31.

Armbruster-Sandoval, R. (2005), Globalization and Cross-border Labor Solidarity in the Americas: The Anti-Sweatshop Movement and the Struggle for Social Justice, Routledge, New York, NY.

Arrow, K. (1985), “The economics of agency”, in Pratt, J. and Zeckhauser, R. (Eds), Principals and Agents: The Structure of Business, Harvard University Press, Boston, MA, pp. 37-51.

Arya, B. and Salk, J.E. (2006), “Cross-sector alliance learning and effectiveness of voluntary codes of corporate social responsibility”, Business Ethics Quarterly, Vol. 16 No. 2, pp. 211-234.

Barratt, M., Choi, T.Y. and Li, M. (2011), “Qualitative case studies in operations management: trends, research outcomes, and future research implications”, Journal of Operations Management, Vol. 29 No. 4, pp. 329-342.

Barrientos, S. (2002), “Mapping codes through the value chain”, in Jenkins, R., Pearson, R. and Seyfang, G. (Eds), Corporate Social Responsibility and Labour Rights—Codes-of-Conduct in the Global Economy, Earthscan Publications, London, pp. 61-76.

Barrientos, S. and Smith, S. (2007), “Do workers benefit from ethical trade? Assessing codes of labour practice in global production systems”, The World Quarterly, Vol. 28 No. 4, pp. 713-729.

Bastl, M., Johnson, M. and Choi, T.Y. (2013), “Who’s seeking whom? Coalition behavior of a weaker player in buyer-supplier relationships”, Journal of Supply Chain Management, Vol. 49 No. 1, pp. 8-28.

Bensaou, M. and Anderson, E. (1999), “Buyer supplier relations in industrial markets: when do buyers risk making idiosyncratic investments?”, Organization Science, Vol. 10 No. 4, pp. 460-481.

Bergen, M., Dutta, S. and Walker, O.C Jr. (1992), “Agency relationships in marketing: a review of the implications and applications of agency and related theories”, The Journal of Marketing, Vol. 56 No. 3, pp. 1-24.

Blome, C. and Paulraj, A. (2013), “Ethical climate and purchasing social responsibility: a benevolence focus”, Journal of Business Ethics, Vol. 116 No. 3, pp. 567-585.

Buvik, A. and Reve, T. (2002), “Inter-firm governance and structural power in industrial relationships: the moderating effect of bargaining power on the contractual safeguarding of specific assets”, Scandinavian Journal of Management, Vol. 18 No. 3, pp. 261-284.

Choi, T.Y. and Wacker, J.G. (2011), “Theory building in the OM/SCM field: pointing to the future by looking at the past”, Journal of Supply Chain Management, Vol. 47 No. 2, pp. 8-11.

Choi, T.Y. and Wu, Z. (2009), “Triads in supply networks: theorizing buyer-supplier-supplier relationships”, Journal of Supply Chain Management, Vol. 45 No. 1, pp. 8-24.

Ciliberti, F., de Haan, J., de Groot, G. and Pontrandolfo, P. (2009), “Codes to coordinate supply chains: SMEs’ experiences with SA8000”, Supply Chain Management: An International Journal, Vol. 14 No. 2, pp. 117-127.

Clean Clothes Campaign (2016), “Dangerous delays on workers safety”, available at: https://cleanclothes.org/resources/publications/dangerous-delays-on-worker-safety/view (accessed 1 September 2017).

Cuevas-Rodríguez, G., Gomez-Mejia, L.R. and Wiseman, R.M. (2012), “Has agency theory run its course? Making the theory more flexible to inform the management of reward systems”, Corporate Governance: An International Review, Vol. 20 No. 6, pp. 526-546.

Das, T.K. and Teng, B. (2004), "Trust, control, and risk in strategic alliances: an integrated framework", Organization Studies, Vol. 22 No. 4, pp. 207-226.
Egels-Zandèn, N. (2007), "Suppliers' compliance with MNCs' codes-of-conduct: behind the scenes at Chinese toy suppliers", Journal of Business Ethics, Vol. 75 No. 1, pp. 45-62.
Egels-Zandèn, N. (2014), "Revisiting supplier compliance with MNC Codes-of-conduct: recoupling policy and practice at Chinese toy suppliers", Journal of Business Ethics, Vol. 119 No. 1, pp. 59-75.
EICC (2016), "Electronic industry citizenship coalition", annual report, available at: www.eiccoalition.org (accessed 12 September 2017).
Eisenhardt, K.M. (1989), "Agency theory: an assessment and review", The Academy of Management Review, Vol. 14 No. 1, pp. 57-74.
Eriksen, N.S. and Jessen, Z.K. (2009), "Enhancing code of conduct compliance: exploring SME possibilities of control among Chinese suppliers", master's thesis, Department of Management, Copenhagen Business School, 12 May.
Erwin, P.M. (2011), "Corporate codes-of-conduct: the effects of code content and quality on ethical performance", Journal of Business Ethics, Vol. 99 No. 4, pp. 535-548.
Fayezi, S., O'Loughlin, A. and Zutshi, A. (2012), "Agency theory and supply chain management: a structured literature review", Supply Chain Management: An International Journal, Vol. 17 No. 5, pp. 556-570.
Fernandez, A.S. and Chiambaretto, P. (2016), "Managing tensions related to information in coopetition", Industrial Marketing Management, Vol. 53, pp. 66-76.
Grant, J. and Ando, R. (2008), "Staples cuts ties with APP on environment worry", Reuters, available at: www.reuters.com/article/2008/02/08/environment-staples-app-dcidUSN0847096820080208 (accessed 12 September 2017).
Hill, R.P. and Rapp, J.M. (2014), "Codes of ethical conduct: a bottom-up approach", Journal of Business Ethics, Vol. 123 No. 4, pp. 621-630.
Hofmann, H., Schleper, M.C. and Blome, C. (2015), "Conflict minerals and supply chain due diligence: an exploratory study of multi-tier supply chains", Journal of Business Ethics, Vol. 140 No. 1, pp. 97-114.
Hurmelinna-Laukkanen, P. and Olander, H. (2014), "Coping with rivals' absorptive capacity in innovation activities", Technovation, Vol. 34 No. 1, pp. 3-11.
Jenkins, R. (2001), Corporate Codes-of-Conduct: Self-Regulation in a Global Economy, United Nations Research Institute for Social Development, Geneva.
Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs, and ownership structure", Journal of Financial Economics, Vol. 3 No. 4, pp. 305-360.
Jiang, B. (2009), "Implementing supplier codes of conduct in global supply chains: process explanations from theoretic and empirical perspectives", Journal of Business Ethics, Vol. 85 No. 1, pp. 77-92.
Ketchen, D.J. Jr and Hult, G.T.M. (2011), "Building theory about supply chain management: some tools from the organizational sciences", Journal of Supply Chain Management, Vol. 47 No. 2, pp. 12-18.
Ketokivi, M. and Choi, T. (2014), "Renaissance of case research as a scientific method", Journal of Operations Management, Vol. 32 No. 5, pp. 232-240.
Koch, C.A. (1995), "Economic transactions, opportunistic behavior and protective mechanisms", University of Southern Denmark, Department of Management, Odense.
Lassar, W.M. and Kerr, J.L. (1996), "Strategy and control in supplier-distributor relationships: an agency perspective", Strategic Management Journal, Vol. 17 No. 8, pp. 613-632.
Lee, K.H. and Kim, J.W. (2009), "Current status of CSR in the realm of supply management: the case of the Korean electronics industry", Supply Chain Management: An International Journal, Vol. 14 No. 2, pp. 138-148.
Lee, M.P. (2008), "A review of the theories of corporate social responsibility: its evolutionary path and the road ahead", International Journal of Management Reviews, Vol. 10 No. 1, pp. 53-73.
Lee, Y. and Cavusgil, S.T. (2006), "Enhancing alliance performance: the effects of contractual-based versus relational-based governance", Journal of Business Research, Vol. 59 No. 8, pp. 896-905.

Le Roy, F. and Fernandez, A.S. (2015), "Managing coopetitive tensions at the working group level: the rise of the coopetitive project team", British Journal of Management, Vol. 26 No. 4, pp. 671-688.

Locke, R., Amengual, M. and Mangla, A. (2009), "Virtue out of necessity? Compliance, commitment, and the improvement of labor conditions in global supply chains", Politics & Society, Vol. 37 No. 3, pp. 319-351.

Locke, R., Kochan, T., Romis, M. and Qin, F. (2007), "Beyond corporate codes-of-conduct: work organization and labour standards at Nike's suppliers", International Labour Review, Vol. 146 Nos 1/2, pp. 21-40.

Lund-Thomsen, P. (2008), "The global sourcing and codes-of-conduct debate: five myths and five recommendations", Development and Change, Vol. 39 No. 6, pp. 1005-1018.

Lund-Thomsen, P. and Nadvi, K. (2010), "Clusters, chains and compliance: corporate social responsibility and governance in football manufacturing in South Asia", Journal of Business Ethics, Vol. 93 No. 2, pp. 201-222.

Maloni, M.J. and Brown, M.E. (2006), "Corporate social responsibility in the supply chain: an application in the food industry", Journal of Business Ethics, Vol. 68 No. 1, pp. 35-52.

Mele, V. and Schepers, D.H. (2013), "E pluribus unum? Legitimacy issues and multi-stakeholders codes-of-conduct", Journal of Business Ethics, Vol. 118 No. 3, pp. 561-576.

Milgrom, P. and Roberts, J. (1992), Economics, Organization and Management, Prentice Hall, Englewood Cliffs, NJ.

Mishra, D.P., Heide, J.B. and Cort, S.G. (1998), "Information asymmetry and levels of agency relationships", Journal of Marketing Research, Vol. 35 No. 3, pp. 277-295.

Mitnick, B. (1973), "Fiduciary rationality and public policy: the theory of agency and some consequences", paper presented at the Annual Meeting of the American Political Science Association, New Orleans, LA, p. 140.

Montabon, F., Pagell, M. and Wu, Z. (2016), "Making sustainability sustainable", Journal of Supply Chain Management, Vol. 52 No. 2, pp. 11-27.

Mzembe, A.N., Lindgreen, A., Maon, F. and Vanhamme, J. (2016), "Investigating the drivers of corporate social responsibility in the global tea supply chain: a case study of eastern produce limited in Malawi", Corporate Social Responsibility and Environmental Management, Vol. 23 No. 3, pp. 165-178.

Nelson, R.R. and Winter, S.G. (1982), An Evolutionary Theory of Economic Change, Belknap Press/ Harvard University Press, Cambridge.

Ngai, P. (2005), "Global production, company codes-of-conduct, and labor conditions in China: a case study of two factories", The China Journal, Vol. 54 No. 5, pp. 101-113.

O'Rourke, D. (2002), "Monitoring the monitors: a critique of corporate third party labor monitoring", in Jenkins, R., Pearson, R. and Seyfang, G. (Eds), Corporate Responsibility and Ethical Trade: Codes-of-Conduct in the Global Economy, Earthscan, London, pp. 196-208.

O'Rourke, D. and Brown, G. (2003), "Experiments in transforming the global workplace: Incentives for and impediments to improving workplace conditions in China", International Journal of Occupational and Environmental Health, Vol. 9 No. 4, pp. 378-385.

Pedersen, E.R. and Andersen, M. (2006), "Safeguarding corporate social responsibility (CSR) in global supply chains: how codes-of-conduct are managed in buyer-supplier relationships", Journal of Public Affairs, Vol. 6 Nos 3/4, pp. 228-240.

Peloza, J. and Falkenberg, L. (2009), "The role of collaboration in achieving corporate social responsibility objectives", California Management Review, Vol. 51 No. 3, pp. 95-113.

Perrow, C. (1986), Complex Organizations: A Critical Essay, 3rd ed., Random House, New York, NY.

Petersen, T. (1993), "The economics of organization: the principal-agent relationship", Acta Sociologica, Vol. 36 No. 3, pp. 277-293.

Plambeck, E., Lee, H.L. and Yatsko, P. (2012), "Improving environmental performance in your Chinese supply chain", MIT Sloan Management Review, Vol. 53 No. 12, pp. 43-51.

Porteous, A., Rammohan, S., Cohen, S. and Lee, H. (2012), "Maturity in responsible supply chain management", Global Supply Chain Management Forum Report, Stanford University.

Prosman, E.J., Scholten, K. and Power, D. (2016), “Dealing with defaulting suppliers using behavioral based governance methods: an agency theory perspective”, Supply Chain Management: An International Journal, Vol. 21 No. 4, pp. 499-511.
Risso, M. (2012), “A horizontal approach to implementing corporate social responsibility in international supply chains”, International Journal of Technology Management, Vol. 58 Nos 1/3, pp. 64-82.
Roloff, J. (2007), “Learning from multi-stakeholder networks: issue-focused stakeholder management”, Journal of Business Ethics, Vol. 82 No. 1, pp. 233-250.
Saam, N.J. (2007), “Asymmetry in information versus asymmetry in power: implicit assumptions of agency theory?”, The Journal of Socio-Economics, Vol. 36 No. 6, pp. 825-840.
Seuring, S. and Müller, M. (2008), “From a literature review to a conceptual framework for sustainable supply chain management”, Journal of Cleaner Production, Vol. 16 No. 15, pp. 1699-1710.
Short, J.L., Toffel, M.W. and Hugill, A.R. (2015), “Monitoring global supply chains”, Strategic Management Journal, Vol. 37 No. 9, pp. 1878-1897.
Sustainable Apparel Coalition (2017), The Higg Index, available at: http://apparelcoalition.org/the-higgindex (accessed 13 March 2017).
Tate, W.L., Ellram, L.M., Bals, L., Hartmann, E. and van der Valk, W. (2010), “An agency theory perspective on the purchase of marketing services”, Industrial Marketing Management, Vol. 39 No. 5, pp. 806-819.
Tomkins, C. (2001), “Interdependencies, trust and information in relationships, alliances, and networks”, Accounting, Organizations and Society, Vol. 26 No. 2, pp. 161-191.
Whipple, J.M. and Roh, J. (2010), “Agency theory and quality fade in buyer-supplier relationships”, The International Journal of Logistics Management, Vol. 21 No. 3, pp. 338-352.