Adoption of sustainable supply chain management programs from a supplier perspective

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Résumé :

Although many multinational companies are engaged in sustainability programs in order to upgrade social and environmental conditions within their supply chain, we know little about adoption at the supplier level. Using neo-institutional theory and building on an in-depth case study of a middle-sized supplier of a multinational company in the food industry in Latin America, we explore how the firm integrates the requirements of a supplier development scheme and to what extent these demands are diffused to next-tier suppliers. Our results suggest that coercive pressure alone is more likely to lead to symbolic adoption whereas other relational ties tend to lead to stronger adoption of sustainability practices.

Keywords: sustainable supply chain management, adoption of social and environmental practices, Latin America, neo-institutional theory.

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Introduction

Big corporations are of considerable importance worldwide. In 2009, 44 of the 100 largest economic entities were corporations (Keys & Malnight, 2009). Their impact goes well beyond legal frontiers. A large part of the world trade is organized by major multinational firms through supply networks (Gereffi, Humphrey, Kaplinksy, & Sturgeon, 2001; Millington, 2008) in which multinational companies (MNCs) have an influence on what is to be produced and how (Gereffi et al., 2001).

At the same time, MNCs are increasingly being held accountable for actions beyond their boundaries, raising the importance of managing their supply chains, particularly in emerging markets (Millington, 2008; Visser, 2008). They have therefore established sustainable supply chain management (SSCM) initiatives to monitor social and environmental performance of their suppliers and improve their overall performance. Seuring & Müller (2008, p. 1700) define SSCM "as the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e., economic, environmental and social".

SSCM initiatives include supplier assessment tools, codes of conduct and collaboration with suppliers (Gimenez & Tachizawa, 2012). Some of these initiatives can also be structured as formal SSCM development programs, built as integrated management systems, covering a list of requirements related to sustainability performance (environmental, social, and economic dimensions) and operational process (quality management). Suppliers who join the program are then likely to be audited by the client or any external party, to check the application of the program within their daily processes (e.g. the supplier development program developed by IKEA, Andersen & Skjoett-Larsen, 2009).

As such, SSCM programs hold the promise of increasing suppliers' environmental capabilities (Lee & Klassen, 2008) and to diffuse both social and environmental ideas and practices along the supply chain (Carbone, Moatti, & Wood, 2012). However, recent crises, such as the Rana Plaza collapse in Bangladesh, which killed over 1,100 workers and injured another 1,000, suggest that the relevance and effective implementation of such programs

cannot be taken for granted. Several North American and European brands (such as Primark, Walmart, Mango and Benetton) were clients of Rana Plaza, and had developed SSCM programs.

So far, less attention has been given to SSCM at the supplier level (Ayuso, Roca, & Colomé, 2013) and only few studies have explored the role of SMEs in SSCM programs (e.g. Jorgensen & Knudsen, 2006; Pedersen, 2009). As a result, while we better know why MNCs get involved in such programs, less is known about their diffusion and impact along the chain. The situation is even more complex as many of these suppliers are small and medium enterprises (SMEs), which account for more than 90% of the worldwide businesses network (Jenkins, 2004). Some organizational characteristics of SMEs, such as limited resources, lack of skills and knowledge and prevalence of informal systems (Gimenez & Tachizawa, 2012; Hall & Matos, 2010; Lee & Klassen, 2008; Russo & Tencati, 2008), may lead to decoupling (Meyer & Rowan, 1977) or, at least, limit the adoption of SSCM practices.

In order to better assess the transformative power of multinational companies in emerging markets, this article explores the conditions leading suppliers to resist, fake transformation or to transform their social and environmental practices in reaction to SSCM programs. Using a neo-institutional approach, we explore SSCM from the perspective of a first-tier supplier of a large MNC subsidiary. We build on a single case study of a middle-sized company operating in the sugar industry in Latin America (Colombia) and acting as a first tier supplier of a multinational subsidiary in the agro-food sector. The company is part of a supplier management program established by the multinational in 2009. This program is based on a continuous improvement approach, which includes economic, social and environmental evaluation criteria.

This paper explores how suppliers adopt SSCM programs, and eventually transmit them on to their own suppliers, according to institutional factors. To do so, on the one hand, we consider the program as a set of different institutional demands. We explore for each one of the demands of the MNC to what extent they are influenced by relationships within the organizational field. On the other hand, we analyze the strategy of the supplier in responding to each one of the MNC demands (Oliver, 1991) and the diffusion of these sustainability requirements to its own suppliers.

Our results reveal different degrees in the adoption of sustainability demands (ranging from acquiescence to avoidance), suggesting that suppliers adopt and diffuse SSCM programs

selectively and partially rather than exhaustively. Overall, our study reveals the central role of network ties (such as the relationships with industry associations) in adoption processes: such network ties contribute to reduce the institutional distance (Kostova, 1999) separating the SSCM program from the local context. Unexpectedly, we also found that suppliers may transmit some sustainability demands down the chain (i.e. impose sustainability demands on to their own suppliers) while decoupling these practices within their own organization.

We shed light on two areas of sustainable supply chains. We first take a broad look at sustainable supply chains including both social and environmental practices, since a considerable amount of research in SSCM has been conducted in the environmental area (Carter & Easton, 2011; Sarkis, 2012), but has rarely combined both social and environmental issues (Ashby, Leat, & Hudson-Smith, 2012). Second we broaden the scope of analysis by including different levels of the supply chain in the context of an emerging market and by adopting a SME supplier perspective. Using neo-institutional theory allows us to connect various external dimensions (Sarkis, 2012) influencing SSCM initiatives and address the "relative dearth in the use of a theoretical lens" in the SSCM literature (Carter & Easton, 2011, p. 55). From a managerial perspective we offer insights on what practices are best tackled by SMEs in emerging markets, giving inputs on how to design adapted supplier development programs.

The remainder of the paper is structured in four parts. We first outline the literature review underpinning our study and present our propositions. In the second part of the paper we present our empirical set and methodology. We then summarize the results and their discussion and end our paper with the limitations of our research.

1. Literature review

Companies are embedded in inter-organizational ties that promote the adoption and implementation of new practices (Owen-smith & Powell, 2008; Westphal, Gulati, & Shortell, 1997). In the case of supply chain relationships, demands for social and environmental responsibility may be supported by a resource dependence view (Pfeffer and Salancik, 1978) in which a powerful client uses coercive pressure based on audit schemes to control practice implementation. According to neo-institutional theory, adoption also results from wider social pressures for conformity within their institutional environment (Boxenbaum & Jonsson, 2008;

DiMaggio & Powell, 1983, Oliver, 1991). Furthermore, coercive pressure alone could lead to symbolic adoption (Meyer & Rowan, 1977; Kostova & Roth, 2002).

Institutions can be defined as enduring, taken for granted elements of social life which provide stability and meaning to it (Scott, 2001) and are sustained by three pillars, namely cognitive (shared understandings that shape behavior), normative (expectations in specific social settings), and regulative (formal and legal rules). Within this institutional context, organizations face pressures from a variety of actors to adopt practices. These actors may be at the industry or regulatory levels or within professional networks in the organizational field and the variety and intensity of the relationship influence the adoption (Ansari, Fiss, & Zajac, 2010; Raffaelli & Glynn, 2013; Westphal et al., 1997).

Although research on diffusion of practices has been extensive, not only do we "lack a deep understanding of SSCM diffusion mechanisms at the inter-organizational level" (Carbone et al., 2012, p.27), but there has been a "relative neglect of practice variation at the organizational level" (Ansari et al., 2010, p.67). In this paper we take a neo-institutional perspective[1] to better understand how different institutional pressures influence the adoption of SSCM practices and their diffusion to next-tier suppliers.

1.1 Adoption of sustainable supply chain management programs

Adoption of SSCM at the supplier level, has received less attention in the supply chain management literature (Ayuso et al., 2013). According to a recent literature review, only 8% of the articles have addressed the supplier as the unit of analysis of research (Brammer, Hoejmose, & Millington, 2011). Most studies adopt a client centered approach, exploring the drivers, enablers and strategies of either MNC or SMEs acting as clients. Previous studies on SSCM and SMEs have shown that SMEs have some characteristics that challenge implementation of SSCM, such as limited knowledge at the national and organizational levels or lack of resources. In the case of developing countries, the cultural setting seems to constitute another barrier to successful diffusion of CSR in the supply chain. However, current research lacks approaches from a SME supplier perspective to understand how -and to what extent-sustainability related demands are integrated. We therefore believe that a study at the intra-organizational level specifying the degree of adoption and the interplay between different

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[1] Although we acknowledge that stakeholder theory could be useful to understand responses as the result of power, legitimacy and urgency of different stakeholders (Mitchell et al., 1997), neo-institutional theory allows the integration of the social context of the organization including explanations for adoption beyond coercive pressure.

pressures in the adoption could enrich our understanding of the conditions that may lead to effective adoption of SSCM programs.

Oliver (1991) identified five levels of strategic responses that may be understood as incremental levels of adoption (Goodstein, 1994; Ingram & Simons, 1994): 1) acquiesce: firms accede to pressure with different degrees of conscious obedience, 2) compromise: organizations balance between conflicting demands or inconsistencies between institutional expectations and organizational objectives 3) avoid: organizations attempt to preclude the necessity of conformity, 4) defiance: organizations actively reject institutional processes and 5) manipulation: organizations aggressively exert power over the content of external expectations to change them.

As such, adoption of sustainability practices in the case of SSCM programs cannot be taken for granted as a voluntary reaction to coercive pressure from clients. Other variables such as the attitude towards the practice or the configuration of multiple exogenous pressures and internal objectives have to be taken into account to understand adoption (Crilly, Zollo, & Hansen, 2012; Kostova & Roth, 2002; Oliver, 1991).

In general adoption is higher when institutional pressures are strong, the benefits of the practice are perceived as important and the degree of multiple expectations is low (Goodstein, 1994; Ingram & Simons, 1994; Oliver, 1991). In contrast, lower levels of adoption and decoupling are likely to occur when members from the target organization don't perceive the value of the practice (Kostova & Roth, 2002; Oliver, 1991), leading to decoupling. Decoupling could manifest itself as an avoidance strategy in which the company may engage in window dressing (Oliver, 1991; Scott, 2001) or when there is a symbolic adoption of practices, disconnecting discourse from practice in order to make legitimacy compatible with technical efficiency constraints (Meyer & Rowan, 1977).

We could put forward the following proposition regarding levels of adoption of SSCM practices:

Proposition 1a: higher levels of adoption of a practice may be associated with a positive perception of the usefulness of the practice for the target organization.

The adoption of a practice is also positively correlated with higher levels of knowledge about the practice at both the supplier and country levels (Kostova & Roth, 2002). As companies have more knowledge of the practice, employees will be less uncertain about the effi-

ciency of the practice, thus encouraging its implementation. We could therefore advance the following proposition:

Proposition 1b: higher levels of adoption of a practice may be associated with higher pre-existing knowledge related to that practice at the country and organizational levels.

Supply chain relationships play a key role in the diffusion of SSCM practices (Ciliberti et al., 2008; Kovács, 2008; Lee & Klassen, 2008). However, relational networks within the organizational field have a positive influence on practice adoption (Raffaelli & Glynn, 2013; Westphal et al., 1997), thus "any effort to understand institutional processes must take networks into account and vice versa" (Owen-Smith & Powell, 2008, p.594). The most influential inter-relational pressures in the organizational field may be mimetic from industry networks and normative from professional networks (Raffaelli & Glynn, 2013). We then advance proposition 2:

Proposition 2: higher levels of adoption of a practice are more likely to occur when the client demand is reinforced by other network ties.

1.2 Suppliers as transmitters of sustainable supply chain management programs

Suppliers may diffuse social and environmental demands from clients to their own suppliers. The literature addressing suppliers as clients is less developed (Ayuso et al., 2013; Ciliberti et al., 2008; Millington, 2008; Pedersen, 2009).

In his study Kovács, (2008) shows that environmental demands for responsibility can go beyond first-tier suppliers. Jorgensen & Knudsen (2006) found that SMEs do not set the standards for their suppliers, rarely pass-on requirements to their suppliers and in most cases do not communicate or verify such requirements. In contrast, Ayuso et al., (2013) found that SMEs pass-on approximately the same requirements they receive from their customers.

Evidence is therefore still not conclusive about the reasons for diffusion and which demands are diffused to the next-tier supplier, particularly for SME suppliers: "it cannot be asserted if surveyed SMEs actually pass on requirements to the next tier of the supply chain because customers impose this or if they do it for other reasons" (Ayuso et al., 2013, p.20). For instance, are adopted demands systematically diffused to next-tier suppliers? We advance the following proposition:

Proposition 3: diffusion to the next-tier level is more likely to occur when there are higher levels of adoption of the practice and when other network ties reinforce the practice.

2. Methods

Our empirical material is based on a study of three levels of a supply chain in the food industry. Specifically, we conducted an in-depth case study of a SME supplier of a multinational subsidiary in Colombia operating in the Sugarcane industry. We used interviews, observation and internal documents analysis. We completed this material with interviews at the client (the multinational subsidiary) and the next-tier supplier levels.

2.1 The Focal Company

Surrounded by sugarcane plantations, the focal company is located in a rural area (123 inhabitants / km^2), the nearest village having approximately 900 inhabitants. Inside, the remains of a small village are still visible: offices are spread across the landscape with some of the administrative buildings being old employee houses. Latin America has a long history of philanthropic and paternalistic approaches in the business-society relationship (Sanborn, 2006) and our focal company was at the beginnings, the home for most of its employees. The mill was founded in the 1940's by a wealthy family of the region who lived in the early years next to the mill in a colonial country state. Today, the owner family holds 80% of shares and sales are evenly distributed between the domestic and international markets with the main products being raw and refined sugar and molasses.

In 2010 the company entered a supplier management scheme designed by a multinational subsidiary in the beverage industry. The program is aimed at certifying selected suppliers based on a continuous improvement philosophy. It evaluates the supplier on a yearly basis. The scheme is structured in eleven categories including social, financial and environmental criteria and the supplier is expected to have high quality, trustworthy products with acceptable costs.

2.2 Data collection

We chose a case study methodology because case studies allow a deeper understanding of the context (Yin, 2003).We restricted our empirical dataset to one industry as sustainability issues in the supply chain are industry specific (Maloni & Brown, 2006). Four main reasons account for the case selection:

1. First, at the time of the research the focal company under study was the only supplier in the industry involved in a formal supply chain management development program. Other companies in the industry received audits from multinational clients but were not involved in

SSCM schemes. As the program started only one year before the analysis we were able to capture real time adoption.

2. Second, the supplier operates in an industry that has a poor social and environmental reputation but is of considerable importance at both national and international levels.

3. Third, the supplier is acting as a client assessing its own suppliers with both social and environmental criteria.

4. Finally, our study contributes to fill the gap in research related to SMEs particularly in emerging countries.

We use multiple data sources, combining primary data (interviews and observation) with secondary data (document analysis) to increase both the reliability and the validity of the study. We conducted interviews at three levels of the supply chain with managers in charge of the supplier assessment scheme. In the focal –i.e. supplier- company we conducted thirty interviews with managers involved in social and environmental practices. We also observed twenty-seven sustainability related meetings and three meetings held to define a supplier development scheme. We observed six industry meetings, held by human resources managers (who are usually in charge of sustainability related activities) in the context of a training scheme developed by the industry association. Most of the meetings were recorded and all were documented with field notes. Interviews lasted between 30 minutes and 2 hours and were recorded and transcribed. We had access to SSCM assessment documents from the multinational subsidiary and the focal company.

Furthermore, we interviewed the person in charge of the supplier development program at the client level and the persons receiving the auditing visits at the second-tier supplier level. We used a semi-structured interview protocol to assess the evolution of social and environmental practices, the role of the clients and other forces in that evolution, the changes done in response to clients' demands and the benefits and difficulties experienced by these changes. The interviews were conducted between 2012 and 2013.

Figure 1. Empirical set and data collection methods
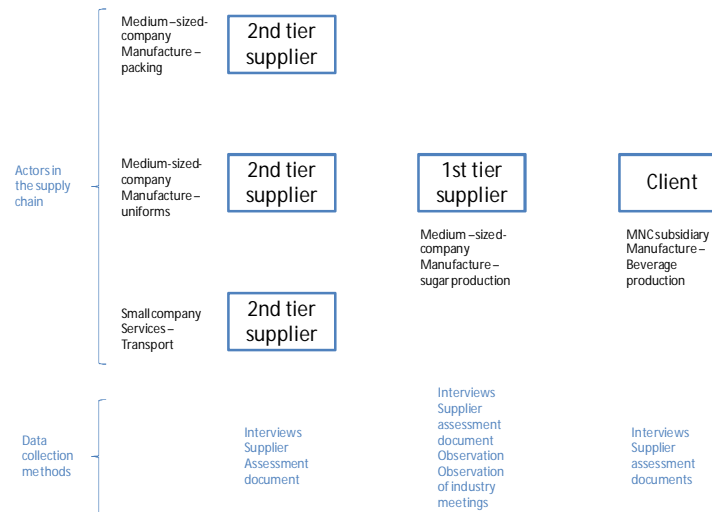
2.3 Data analysis

We approached our data analysis in three stages in order to identify similarities and differences between sustainability practices. We began by choosing the social and environmental practices we wanted to study. Based on Maloni & Brown's (2006) framework for the food supply chain and the client's assessment scheme we chose the following categories for our study: environment, community issues, labor and human rights, health and food safety, procurement and ethics and corporate social responsibility (CSR) management (includes for instance CSR policy, performance indicators, stakeholder management).

The second stage involved the analysis of each category of the SSCM separately. We analyzed a total of 40 sustainability practices. We characterized each practice in terms of its embeddedness within the relational network of the field, the knowledge at the supplier level and the perception of its usefulness. The final stage is based on a cross-case analysis in which we identified differences and similarities for the six categories. The following table summarizes the process:

Table 1. Data analysis process

Stage	Description	Coding categories	Data sources
1. Selection of sustainability related categories	Six categories selected based on : - Maloni & Brown (2006)'s framework - The eleven categories of the supplier development scheme		Assessment documents Interviews

Stage	Description	Coding categories	Data sources
2. Individual analysis of each category	Analysis of each of the six categories individually. We use an Excel matrix to map for each practice the following elements:		
	Client demand	Identification of the de-manded practice	Assessment doc-uments Company inter-views MNC interview
	Mimetic mechanisms	Industry expectations	Interviews Industry meet-ings Company meet-ings
	Normative expectations	Beliefs, norms and stan-dards Actors involved in the normative pressure	Interviews Company and industry meet-ings
	Knowledge about the practice	Knowledge about the practice at the supplier and country levels (li-mited versus extended)	Interviews Company meet-ings Company docu-ments
	Perception of the practice	Perception of the practice as useful	Interviews Company meet-ings
	Supplier response	See table 2 (below)	Interviews Company meet-ings Company docu-ments
	Practice diffusion to next-tier suppliers	Comparison of demands between the assessment documents from the MNC subsidiary and the focal company	Assessment doc-uments Interviews
3. Cross category analysis	Comparison of the six categories through pattern matching		

In assessing supplier responses we looked at the level of adoption according to the substantive action undertaken by the focal company. Table 3 summarizes the coding scheme.

Table 2. Coding scheme for supplier responses

Supplier response	Coding scheme	Example of quote
Acquiesce	The practice is fully implemented: it is part of the operating processes.	*Let's say I took it from our client [the MNC]. [Now] before I buy again from a supplier that made a mistake, I need an action plan.*

Compromise	The focal company feels the need to balance between conflicting demands from multiple sources or between external pressures and internal objectives. The implementation is partial but the company does not try to conceal it.	*We will show [during the audit] a planning to prove that although we are not certified, we have a system (referring to occupational health and safety assessment certification)*
Avoid	Voluntary concealment of non-conformity and no implementation occurs.	*We have been showing them a commercial offer [to do a company ethics code] for two years now, but we cannot do that anymore.*
Defy	The focal company publicly dismisses the practice or attacks the source of the pressure. The practice is not implemented.	We did not find support for a defiance strategy.
Manipulate	The focal company actively tries to change the content of the practice. The practice is not implemented.	We did not find support for a manipulation strategy.

3. Results: the institutional dimension of suppliers' responses

Our results reveal different degrees in the adoption of sustainability demands (ranging from acquiescence to avoidance). We identified three types of supplier responses: acquiesce, compromise and avoidance. We did not find support for defiance or manipulation strategies (see table 3). This is due to the limited resources of the supplier, and its strong dependence to the MNC subsidiary (which accounts for around 30% of its sales volume).

Coercive pressures are strong as social and environmental risks are associated with supply shortages and reputational loss: "*they [the focal company] have important risks, for instance the sugarcane cutters topic or the floods[2] in the sugarcane plantations. We might end up without sugar. Then these are shortage risks for us and we are monitoring that they control their risks (MNC manager)*". Even if production related risks have a more important grade in the assessment, social and environmental conditions could also lead to delisting the supplier of the program. Not only the company has different suppliers with the same product (white sugar), but if social and environmental risks are not controlled they could lead to replacement of the supplier: "*what happens here... in this industry is that... because of the sugarcane cutters and all that ... when there is too much risk [we] always have different suppliers (MNC manager)*". This also felt by the supplier: "*if we do not get the yearly certification they might replace us with any other supplier (change management manager-supplier)*".

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[2] During 2011 the country suffered major floods that had considerable impacts on agriculture.

Coercive pressures regarding environmental and social conditions of the suppliers are also important because they are mandatory for the subsidiary: *"the headquarters asks us to audit our suppliers according to SMETA[3] , and 55% of the requirements are included in this [SSCM] program" (MNC manager).*

3.1 Acquiescence strategies

There is not a unique configuration of institutional factors leading to acquiescence. However, besides the client demand, there is at least one of the conditions enounced in propositions 1 and 2 associated with an acquiescence strategy.

Generally, acquiescence occurs for sustainable practices with direct market implications, embedded into local ties, and combining coercive, normative and mimetic institutional forces. Acquiescence strategies are seen when there is a belief on the value of the practice, finding support for proposition 1a. The issue of health and food safety is illustrative, as the topic has become a major question at a worldwide level (Maloni & Brown, 2006). The supplier is adopting a series of measures to "*fulfill and improve the client's requirements*" *(document presented to the MNC subsidiary).* Inside the organization, food safety has been translated into a series of practices, with the explicit objective to move towards the FSSC22000 certification. For most interviewees, this new trend goes beyond a simple response to client demands. Food safety is perceived as a strategic issue, implying a paradigmatic shift in the organization, and involving to transform the identity of the organization from a agricultural commodity supplier to a food company, guarantying traceability in all stages of the supply chain *"from the field to the table"* (*management and supplier development-logistics department-supplier*).

Health and food safety constitutes a central concern for the industry association as well. The topic is perceived as important for the economic development of the sector: "*[it] is a key issue for the industry association because it will give us access to international markets*" *(health and safety-supplier).* Accordingly, the industry association plays a pivotal role on the diffusion of such practices: *"we identify the failures and establish criteria to improve the topic and articulate [the industry] with governmental entities" (industry association sustainability coordinator).*

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[3] SMETA is the assessment methodology of the ethical audit performed by Sedex, a "not for profit membership organization dedicated to driving improvements in responsible and ethical business practices in global supply chains" (http://www.sedexglobal.com/ethical-audits/).

3.2 Avoidance, concealment, and compromise strategies

Lower levels of adoption occur when coercive forces are less associated with direct market access and when the practices are distant from the normative and cognitive references of the supplier. In such situations, network ties (such as the relationships with the industry association) play a key role in reducing the institutional distance (Kostova, 1999) separating the SSCM program from the local context.

Avoidance strategies are associated with the absence of all the conditions enounced in propositions 1 and 2. The cultural distance- normative and cognitive institutions (Aguilera-Caracuel, Hurtado-Torres, Aragón-Correa, Rugman, 2013)- is important, and the issues are not supported by network ties.

We did not find a regular pattern for compromise strategies, but both compromise and avoidance strategies are always related to limited pre-existing knowledge (proposition 1b) about the practice or cultural distance. In such context, our result reveals the central role of network ties in adoption processes.

3.2.1 Compromise strategies

We found a large proportion of compromise strategies, i.e. partial implementation of the client's demands, particularly in the labor and human rights category. The requirements to design policies to prevent child labor and protect human rights constitute examples of such situations. In our case, the industry association animates the discussion on human rights and supplier exhibits a compromise strategy limiting its action to the suggestions of the industry association: *"[the company has to] implement a child policy in the organization, is not enough to adhere to the industry policy" (assessment document-MNC)*. Suppressing human rights abuses is a major issue in emerging countries, but there is still a lack of knowledge *"we didn't know what human rights were […] today we are starting to understand their logic" (industry association manager)*. In fact, the industry has been depicted as "a family business sustaining its colonial heritage mixed with overexploitation capitalistic logics" (Sánchez Ángel, 2008), in which labor abuses have been the norm (as mentioned in one of the industry meetings). The focal company has not included any substantive actions in the subject. For instance, even if the company adhered to the Global Compact, no diffusion regarding human rights has been done.

Coercive demands are thus filtered by the institutional context (Kostova, 1999), in this specific case by the cognitive and normative institutions of the country. Even if the program

was designed in the same country and is not an off the shelf solution from the headquarters, it includes internationally oriented practices which are not common among local SMEs.

3.2.2 Avoidance and concealment strategies

The case of the requirement for the development of a corporate governance and ethics code is illustrative of voluntary concealment and avoidance strategies. Ethics appears as a subject that is poorly used in emerging markets (Baskin, 2006). This statement appears to hold true for the supplier. The demand for the creation of a code existed since the launch of the program, but the supplier avoided it for two years, until in one meeting a manager declared: "*the clients are putting pressure on us about the code! (human resources-supplier)*". In that same meeting, actors were more concerned about the existence of a formal document to be presented to the client than to the content implied by the code itself (ethics, human rights, corruption practices…) or the inclusion of those practices within daily activities. Ethics and corporate governance are new practices for the organization and more largely in the Latin American context: "certain practices, such as conflicts of interest and lack of transparency in corporate governance, are common in large Mexican firms, but would be unethical, if not illegal, in the US" (Logsdon, Thomas, & Harry J Van Buren III., 2006).

According to the first visit performed by the client in 2010 the performance of the supplier was graded at the lowest level: the audit recommended to "*develop an ethical policy, formalize ethical principles, or a formal document where ethical behavior is defined within the organization and towards the suppliers. The document has to be distributed to employees and suppliers (MNC assessment document)*". For two years, the company avoided this requirement: "*we have been showing them a consultancy proposal to do the code for two years now, but we cannot do that anymore" (quality manager-supplier)*.

The company finally decided to create the document with the help of an educational institution acting as consultants, because *"we didn't know how to do it" (quality manager-supplier)*. However, the document was never distributed, it was only posted on the intranet without any awareness campaign "*we haven't really changed in terms of ethical processes, but now we have the corporate governance document*" *(health and safety manager-supplier)*. In the words of a manager, the code remains *"a huge thing that is on the website but that nobody reads"*.

Concealment is also evidenced on issues related to the CSR management category (e.g. development of formal policies for diversity, corporate social responsibility, ethics and free-

dom of association). As described by a quality manager: *"[when the client came for the evaluation], she asked us: what are the CSR programs that you have? You have to define some objectives. Define some indicators"*. In order to fulfill this requirement the focal company worked with the same educational institution on the conceptualization of a sustainability strategy, the definition of indicators and stakeholder mapping. During the meetings several discussions addressed the definition of sustainability and stakeholders, because both concepts are new within the country and for the organization: *"I had to ask for examples of a CSR policy" (human resources team-supplier).* This is also mentioned by MNC manager in charge of the SSCM program: *"someone explained to us and to our suppliers how to write the report, apply the GRI guidelines, etc. In these cases I always send them [suppliers] examples"*. Today, although these definitions have been formalized, they are not used in daily management: *"[during the audit] we checked everything to be compliant, in order to please the client. […] it was just to look nice in the picture"*. Indeed, no indicators have been defined or are clearly used to monitor the operation.

Overall, an approach to CSR based on management system setting formal targets and objectives, as promoted by the SSCM program does not seem to make much sense for the employees interviewed at the supplier's site. All CSR activities mentioned by the employees during the interviews revolve around traditional practices rooted in paternalistic and philanthropic orientations (such as community support trough education and health services, donations, financial support to employees). The lack of knowledge is related to the sustainability traditions of the country: *"people still think that CSR is what we do with the community and the training activities for employees" (human resources team-supplier).* As mentioned by the client, *"people in Colombia think that Corporate Social Responsibility is only related to community relationships (MNC manager)"*. Such practices remain informal and are not integrated within management systems. In fact, as mentioned by one informant: *"even today, I do not know what a person in charge of sustainability is supposed to do…" (change management team-supplier).*

Overall, lower levels of adoption and decoupling are related to the cultural distance between the SSCM program and the local context. We thus find support for proposition 1b. The previous two examples show us that without pre-existing knowledge about the practice and help from other actors (such as the industry association or external experts), decoupling is likely to occur.

3.3 The mediating role of network ties

We previously noted the role of actors such as the industry associations or professional networks in the adoption of some practices that are new for the cultural setting (e.g. ethics and CSR management or health and food safety).

The absence of reinforcement from any external actor is related to lower levels of adoption. Without any network ties in the organizational field supporting or translating the demand, the supplier appears more likely to undertake a compromise strategy, partially adopting the demanded practice or even voluntarily hiding non implementation. Reciprocally, we find higher levels of adoption when sustainability demands are embedded into strong relational ties. Among external actors, the industry association seems to exert more influence, leading to some acquiescence strategies, while interaction with consulting and educational actors did not systematically prevent decoupling.

Our results thus confirm the central role of network ties in sustainability adoption processes: such network ties, particularly the industry association contributes to reduce the institutional distance separating the SSCM program from the local context. The industry association specifies potentially ambiguous demands, gives technical support, spreads information and sponsors meetings to share and improve practices through exchange between members. This relationship matters precisely because it infuses meaning (Owen-smith & Powell, 2008) improving the adoption of internationally oriented, not well understood demands, helping the supplier make sense of client's demands adapting demands to local cultural expectations (Ansari et al., 2010).

3.4 Suppliers as transmitters to next-tier suppliers

Unexpectedly, we found that suppliers may transmit some sustainability demands down the chain (i.e. impose sustainability demands to their own suppliers) while decoupling these practices within their own organization. Hence, the diffusion of sustainability practices by the supplier is not directly related to the adoption of the practice or to a coercive demand from the MNC.

The focal company transmits a fraction of the requirements, complying with the demands of their client (extend the requirements in the procurement category): "*we have some responsible procurement principles, we ask our suppliers to diffuse them to their suppliers*" *(MNC subsidiary)*. The focal company is diffusing demands that are of importance for the MNC

subsidiary but for which it has limited knowledge and partial levels of adoption (this is the case of human resources management). Diffusion of the client's requirements is not linked to strong levels of adoption. On the contrary, diffusion may occur in the case of an avoidance strategy (e.g. child labor policy).

In line with Ayuso et al., (2013)'s suggestion, our study looks at factors that reinforce diffusion to the next-tier supplier. We find that all relational ties account for the diffusion of requirements to the next-tier suppliers. The focal company is both replicating some of the demands of the MNC subsidiary and including in the assessment requirements from other actors. In 2012 the supplier company included the food safety category in the assessment checklist. The industry association encourages the subject and the MNC subsidiary is not asking to extend it to next-tier suppliers. Suppliers remember the focal company (as other companies in the industry) has been "*since last year focusing on food safety and has evolved towards a holistic approach" (packing supplier).* Diffusion is also fostered by other actors besides the industry association. For instance, control over solid waste is both an ISO 14000 standard and a local legislation requirement.

Even in the case of partial adoption and limited knowledge about the practice, diffusion to next-tier suppliers occurs. We believe that this is explained by replication of the SSCM audit scheme: *"[the client's] model helped us to fine-tune the supplier evaluation model [...]. We did something based on what they do with us" (logistics department manager-supplier).* However, the certifying organization had also recommended a "*more specific supplier evaluation*" *(quality manager-supplier).*

Proposition 3 is only partially supported as the first-tier supplier is demanding a comprehensive range of practices coming from coercive measures but also from other demands, even the ones for which it has low levels of adoption.

An interesting finding is that beyond the specific demands of the client, the focal company is replicating the philosophy of the development program going beyond the audit scheme: *"the client asks us to develop our suppliers. The idea is that our company manages to do what the client is doing with us: a supplier development program" (logistics department-supplier).* The focal company adapted the SSCM program, adopting its principles and recently launching a supplier development program based on trainings. A function to manage and develop suppliers was recently created in the logistics department. Taking as an example the action

plan demanded by the MNC subsidiary, the focal company has recently begun asking suppliers for action plans to follow-up on the assessment visit.

4. Discussion

The variance in responses suggests that suppliers adopt and diffuse SSCM programs selectively and partially rather than exhaustively. The coercive approach of a SSCM program seems to be appropriate for demands with clear market benefits particularly if they are reinforced by other institutional pressures (normative and mimetic) and actors such as industry associations. For other social and environmental categories a SSCM development program is not a guarantee of application of the demands.

What has then been the transformative power of the SSCM scheme? The scheme has fostered some changes in practices related to market access such as health and food safety and in the case of demands that are reinforced by other across (for example water management or environmental management systems). However adoption is heterogeneous and client demands are not enough to ensure higher levels of adoption. On the contrary, it seems that overcoming compromise and avoidance strategies requires a mediator, in our case the industry association. Besides, the impact of SSCM programs in the upstream supply chain is still limited. Coercive pressure from clients is not a guarantee to diffusion of sustainability related demands to next-tier suppliers.

Practice adoption is fragmented because of its coherence with the local institutional environment, particularly regarding the perception of its cultural fit. Our study shows the difficulty faced by managers understanding the content of international practices, such as policy definition, sustainability performance measures, ethical and human rights issues and food safety, which are created for a different institutional setting. For these the knowledge in the company and at the field level is limited. The sustainability approach of the MNC subsidiary is rooted in a different conception of what responsibility means. It based on a vision that CSR has to be managed with performance indicators, has to be strategically circumscribed and aligns both ethical and economic justifications (Salamon, 2010). Although the program was locally designed, it includes a number of practices that are institutionally distant from the local context, largely overlooking the local environment (Logsdon et al., 2006) in which suppliers operate. As pointed out by the MNC informant, CSR is linked to risk reduction and reputation enhancement. Whereas categories that can substantially damage global reputation such as labor

and human rights include many demands, community related issues (the prevailing social responsibility meaning in the country) are only addressed with one practice.

Demands have to be reinforced by other relationships to reduce the institutional distance of the demand. If the knowledge is limited, the practice is not perceived as valuable and if it is not reinforced by other network actors, we only see partial levels of implementation or no implementation at all. In this sense, we may see industrial associations as conveyors playing a central role in diminishing the institutional distance between the source and the destination of the demands. We have therefore contributed to elucidate the role of networks in limiting decoupling (Boxenbaum & Jonsson, 2008) by exposing how the industry association acts as a mediator of decoupling, translating institutionally distant practices.

Diffusion to next-tier suppliers is not systematic. We evidenced the diffusion of demands which were not implemented or for which decoupling occurred. Instead of replicating the evaluation criteria, the focal company is including in its evaluation other demands stemming from different network ties, creating a more detailed assessment list, which includes only few sustainability related issues. Imitation is thus not enough to diffuse sustainability demands in the upstream chain, other institutional pressures are necessary.

On the managerial side, we have sought to stress how SSCM managers need to acknowledge the network ties in which suppliers are embedded. In order to avoid the risk of limited compliance, they need to take into account existing local practices and understand that partial implementation is influenced by both a dyadic relationship with the client and the networks within the organizational field, especially at the industry level. MNCs interested in establishing SSCM schemes should adopt a collaborative approach rather than a command and control one. In line with Gimenez & Tachizawa (2012) assessment-the most common paradigm- is not enough. A collaborative scheme is necessary to improve sustainability within suppliers, particularly in emerging markets and SMEs when ethical boundaries are blurred and legal compliance is considered a social responsibility. Our empirical setting highlights that the level of adoption is mediated by a supplier's understanding of the practice. MNCs should therefore be aware that adoption cannot be taken for granted in the context of a coercive demand. Appropriation of demands may be improved through dialogue seeking to encourage progressive implementation in the cases where institutional distance is higher and considerable resources are needed. In this case MNCs could rely on other actors in the supply network, particularly on industry associations to translate such practices into the local normative and cognitive

frames. Regarding the next-tier supplier, diffusion is not guaranteed. In this sense, local networks are pivotal as mediators in the diffusion to upstream supply chain members.

We acknowledge some limitations of this study. First, we are using one in-depth case study to illustrate our purpose, limiting its generalization. However, we specify variables that could be used in further research in other industries and countries: the institutional distance of the demands and the industry association as mediators of adoption. Second, we acknowledge a potential bias in the client's evaluation, but we believe that using other sources of data improves the reliability of the study, particularly regarding compromise and avoidance strategies.

Our conclusions highlight the importance of the industry association for SMEs, but further research could investigate to what extent this is the case for larger industry members. We are aware of other filters at both the inter-organizational and intra-organizational levels which could be further explored, such as logistical integration or the role of agents of change inside the organization (Carbone et al., 2012; Gimenez & Tachizawa, 2012). It would also be interesting to boost the robustness of the study by extending the research to other suppliers of the MNC susidiary.

Our study dialogs with the debate of local responsiveness and global sustainability practices reinforcing the importance of local ties and the institutional context in the adoption of internationally oriented novel ideas, positing that sustainability cannot be viewed as a collection of clearly defined practices, particularly in Latin America where a strong tradition of social involvement of businesses exists. We believe that studies highlighting how sustainability traditions and external ties influence the adoption of new practices constitute an interesting avenue for research in SCM. Finally, if supply chain managers want to ensure higher levels of adoption they need to recognize the interplay of both local and global sustainability traditions as well as the networks in which suppliers are embedded.

Table 3. Supplier responses for each category

Category	Practice (demand from the MNC subsidiary)	Reinforced by the industry association	Reinforced by the normative environment	Knowledge of the supplier	Perception as useful	Supplier response (*previous practice)	Diffused to next-tier supplier
Environment	Environmental management system defined and implemented	No	Yes	Extended	Yes	Acquiesce*	Yes
	Compliance with local and national legislation	No	Yes	Extended	Yes	Acquiesce	Yes
	Follow-up of resource use (energy)	No	No	Limited	No	Avoidance	No
	Follow-up of resource use (water)	Yes	No	Extended	Yes	Acquiesce*	No
	Reuse and recycling practices and solid waste management	No	Yes	Extended	Yes	Acquiesce	Yes
Community	CSR programs with the community	Yes	Yes	Extended	Yes	Acquiesce*	Yes
Labor and human rights	Human resources management (competencies, functions, career plan…)	No	No	Limited	Yes	Compromise	Yes
	Occupational health policy and indicators	No	Yes	Extended	Yes	Acquiesce	Yes
	OSHAS 18001 applied and monitored	No	No	Limited	No	Compromise	No
	Labor rules and hiring policy including freedom of association, child work and diversity	No	No	Limited	No	Avoidance	No
	Child labor policy	Yes	Yes	Limited	No	Compromise	Yes
	Freedom of association policy	Yes	Yes	Limited	No	Compromise	Yes
	Hiring policy for vulnerable populations	No	Yes	Limited	No	Compromise	Yes
	Programs to beneficiate employees	Yes	Yes	Extended	Yes	Acquiesce*	Yes
	Training in human rights for employees	No	No	Limited	No	Avoidance	No
Health and food safety	Risk management. Has a matrix to map and control risks (including inventory shortages)	No	No	Limited	Yes	Compromise	No
	Cleaning and maintenance plan	Yes	Yes	Limited	Yes	Acquiesce	Yes
	Competencies of employees handling the product	No	No	Limited	Yes	Compromise	No
	BASC policy (business alliance for secure commerce)	No	Yes	Extended	Yes	Acquiesce*	Yes
	HACCP implementation	Yes	Yes	Limited	Yes	Acquiesce	Yes
	Good manufacturing practices	Yes	Yes	Extended	Yes	Acquiesce	No
	Efficiency of improvements in the storage and distribution areas	Yes	Yes	Limited	Yes	Acquiesce	Yes
Procurement	Extension of quality programs to suppliers	No	No	Extended	Yes	Acquiesce	No
	Results of sustainable development initiatives with suppliers	No	Yes	Limited	Yes	Acquiesce	Yes
	Has an ethics policy establishing ethical principles (organization and for suppliers)	No	No	Limited	No	Compromise	No
	Training for suppliers on CSR	No	No	Limited	No	Avoidance	Yes

Cate-gory	Practice (demand from the MNC subsidiary)	Reinforced by the in-dustry asso-ciation	Reinforced by the normative environment	Knowledge of the sup-plier	Perception as useful	Supplier response (*previous practice)	Diffused to next-ti supplier
	The supplier has a tool to map and select suppliers	No	No	Limited	Yes	Acquiesce	No
	Measures and manages its suppliers	No	No	Limited	Yes	Acquiesce	Yes
	Evaluates its critical suppliers twice a year	No	No	Limited	Yes	Compromise	No
	Has given feedback to critical suppliers	No	No	Limited	Yes	Acquiesce	No
Ethics and corporate social responsibility management	Corporate governance code and diffusion to stakeholders	No	No	Limited	No	Avoidance	No
	Has its stakeholders defined	No	Yes	Limited	Yes	Acquiesce	No
	Sustainable development report (includes CSR)	No	Yes	Limited	Yes	Acquiesce	No
	CSR policy	No	Yes	Limited	Yes	Acquiesce	No
	CSR program with performance measures	No	Yes	Limited	Yes	Compromise	No
	Has any CSR programs with its stakeholders	Yes	Yes	Limited	Yes	Acquiesce*	No
	Has done training activities regarding CSR in the organization	Yes	Yes	Limited	No	Compromise*	No
	Client satisfaction indicators	No	No	Limited	Yes	Acquiesce	Yes
	Ethical principles with suppliers including anti-corruption	No	No	Limited	No	Compromise	No
	Has a clear position within the industry	Yes	No	Extended	Yes	Acquiesce*	No

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