Coercive or Supportive: An Assessment of Non-governmental Organizations Role in Sustainable Supply Chains Adoption

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ABSTRACT

On one hand businesses can be criticized by non-governmental organization (NGOs) scrutiny, one the other hand companies can be supported from NGOs to remove the barriers and positively influence on customer perceptions. The aim of this study is to critically assess the role of NGOs in sustainability two different perspectives, namely, "coercive view" and "supportive view." This study may benefit the NGOs partnering with Multination Companies (MNCs) to identify the effect of this partnership on small and medium enterprises (SMEs). Also, SMEs and MNCs can use the framework to mind more the role of NGOs in their SSCM. Using literatures support, This Study found that, NGOs support MNCs can lead to MNCs reputation and empowering, whereas this relationship make some barrier in SMEs' sustainability practice by increasing costs of new market entry. Moreover, SMEs can use NGOs support to remove adoption barriers and increase their profits.

Keywords: Corruption, Non-governmental Organization, Sustainable Supply Chain Management
JEL Classifications: D73, L31, Q55

1. INTRODUCTION

Using standards and public laws, governments as one of SSCM stakeholders used to implement social and environmental regulations on firms for decades prior to 1980s (Poret, 2014). After globalization and free market effort and subsequences of privatization and deregulations, governments roles had been weakened and multinational corporates practiced self-regulating and monitoring with implementing private standards, management systems and codes of conduct during 80s decade (Poret, 2014; Kelly, 2012; Lewis, 2009). Corporate self-regulating could not be existed after many incidents and whistle blowing of companies disastrous environmental and social exercises. According to Utting (2002), companies self-regulating were mostly for improving their reputation and public image rather than achieving to sustainability goals and this let to shift to new approach: Co-regulating and multi-stakeholder theory. In co-regulation practices, non-governmental organizations (NGOs) played a vital role to reduce the companies' misuse of self-regulating era (Meixell and Luoma, 2014).

Since 1990s, NGOs have had many key roles in companies' sustainability adoptions. Some of these roles have been seen as coercive role of NGOs, such as boycotting and fines setting, in which push companies to exercise sustainability in their social, environmental and financial, while some companies have found NGOs role supportive and tried to adopt sustainability in their supply chain (Pallas and Urpelainen, 2011).

On one hand some studies have stated NGOs can enforce the governments to set strictest fines for companies circumventing the sustainability rules and increase public awareness about such those companies to boycotts their products (Torpey-Saboe, 2015). On the other hand, NGOs can increase companies' knowledge by partnering with them and help them to practice a sustainable development in their supply chain (Bitzer and Glasbergen, 2015; Lane and Morrison, 2006). The aims of this study is firstly to assess both coercive and supportive roles of NGOs in adopting sustainable supply chains by companies and then conceptualize how these companies can benefit more from NGOs to boost their businesses and communicate with their other stakeholders.

2. NGOS ROLE IN SUSTAINABLE SUPPLY CHAIN ADOPTION

Many researchers have declared that stakeholders' pressure on firms can be result on sustainability awareness at first step. This awareness can even lead to sustainability adoption by enforcing of one stakeholder by other stakeholder in the network. This pressure can be come up from customer, buyers, governments, employees, communities and NGOs, for example Customers pressure on local firm in form of boycotting, buyers push on suppliers in form of auditing and government and NGOs regulations on buyers and suppliers (Park and Ghauri, 2015).

However, these pressures are different from each of stakeholder, but it can lead to sustainability implementation in some cases (Meixell and Luoma, 2014). NGOs pressure is in some kind different. As a secondary stakeholder, NGOs have not only the power to significantly influence other secondary and primary stakeholders in supply chain, but also are they able to make a partnership with them (Perez-Aleman and Sandilands, 2008). NGOs activities such as litigation, boycotting, stakeholder resolution and partnership can bring about two different effects to other stakeholders. Many studies have investigated "coercive" role of NGOs which in turn can get companies involved in sustainable supply chain by pressure and punishment. On the other hand, NGOs have been seen by lens of "supportive" "role which in turn can "remove sustainability barriers" for the companies. Both "coercive" and "supportive"" roles of NGOs can "systematically" involve all stakeholders in SSCM (Touboulic and Walker, 2015).

2.1. Coercive View
Nowadays, NGOs are commonly negotiating with governments to produce environmental and social policies and make new standards for the firms. By setting by strictest environment and social standards, NGOs not only can involve governments to make substantial pressures on firms adopting SSCM, but also are they able to engage government to increase companies' responsibility to other stakeholders. On one hand, NGOs-Government push, as an external pressure can cause to sustainability adoption of firms and one the other hand can result a barrier to small companies' sustainability adoption (Lane and Morrison, 2006).

With increasing social networks and mass Media's usage, NGOs have been empowered more when they find scandals in firms' performance (Ferguson, 2011). Legitimacy Concept asserts which organizations constantly seek to ensure they are regarded as operating inside the bounds as well as norms of the respective communities that is actually, they attempt to ensure their actions are recognized by outdoors parties to be "legitimate." A company is regarded as operating along with legitimacy whenever its procedures and connected accountabilities may actually comply using the "social contract" in position between the actual organization and also the society by which it works (Deegan and Islam, 2014). It is also demonstrated an ability that journalists often depend on NGOs to recognize newsworthy issues particularly with regards to social and environmental issues and in order to undertake a lot of the research essential for compiling the news statement. The NGOs as well as labor privileges organizations

effectively account the tales being run through the media (through the actual NGO's personal research activities) which helps make journalists responsive towards the representations produced by such organizations particularly considering the fact that most of the issues becoming addressed through NGOs have the actual potential to create high amounts of public interest that is actually, stories dealing with social as well as environmental problems of concern to NGOs possess the potential to produce significant open public agenda environment effects(Deegan, 2002).

Customers as primary stakeholder of sustainable supply chain have been used by NGOs to create market campaign against multinational companies to compel them to develop ethical codes for their supply chain practices (Meixell and Luoma, 2014). The role of social movements in lobbying with NGOs for the development of company standards and codes of conduct has been an important factor in the rise of certification systems. NGOs not only can put pressure on social and environmental performance of firms by increasing customers' awareness, but also do they can encourage customers to boycotting the products and services of those companies by market campaigning. Customers' perceptions can be changed during organization disclosure and damage the companies' legitimacy (Pallas and Urpelainen, 2011). Risk of market lose can be increased when NGOs publicized their findings (Utting, 2002) (Figure 1).

2.2. Supportive View
Many studies have explored NGOs not only do not make barrier for companies, but also they can be supportive for businesses (Bitzer and Glasbergen, 2015; Poret, 2014; Kelly, 2012; Lewis, 2009; Perez-Aleman and Sandilands, 2008). Businesses can be supported by NGOs in different ways. Philanthropy and altruistic act of companies not only can enhance their competitive context, but also can increase their long-term profit (Poret, 2014). Companies have learnt that donations can improve their social context, in which they can be support more by NGOs. Many multinational companies have put charitable activity on their business model which it has contributed to their reputations (Neville et al., 2005). Another supportive way is business- NGOs partnership which during last decade many businesses started to work closely with NGOs and found that they can increase their profit with NGOs partnership.

However there are many barriers for firms to adopt sustainability in their supply chains management, but NGOs can remove some

Figure 1: Coercive role of non-governmental organizations: Demonstrating the meditating role of government, media and customer in non-governmental organizations-business relationship and direct role of non-governmental organizations on firms
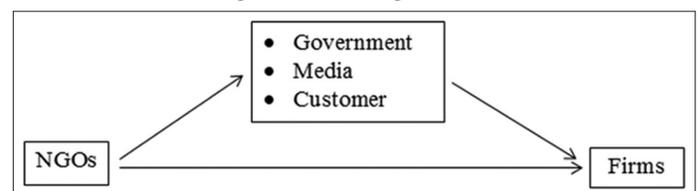
Adopted from: Utting, 2002; Ferguson, 2011; Meixell and Luoma, 2014; Park and Ghauri, 2015

barriers for the firms. According to Kumar and Rahman (2015) lack of knowledge and technology sharing, lack of interest, poor demand forecasting, no support from government, Lack of human resources capability, lack of training are some important barriers for the firm in SSCM adoption. NGOs as key actors in sustainable supply chain not only can remove barriers for firms by knowledge sharing, technology and information sharing and staff training, but also can get support from other stakeholders to increase sustainability adoption benefits for the firms (Seuring and Müller, 2008).

Based on stakeholder approach, NGOs has a rightful place as representatives of civil society. Furthermore, many environment or social purpose NGOs forefront CSR. This kind of NGOs are identified by other stakeholders as the primary actors within the introduction as well as development associated with CSR which corporations see NGOs to become one of the primary stakeholders (Deegan and Islam, 2014).

NGO-business partnership can make a competitive advantage for to firms via various channels. First, through developing environmentally friendly relationships along with suppliers, companies secure their own supply resources through long-term close ties, maintaining high quality standards across the supply chain and possibly optimizing their own purchase expenses by eliminating intermediaries. In this context, NGO understanding of, and use of, a geographic or even specific community helps firms to fulfill their goals. For example, Fairtrade Labeling Organization (FLO) identifies itself like a worldwide network of suppliers, trading businesses, and national labeling endeavors that models Fairtrade standards which provides Fairtrade accreditation and industry auditing. Because of its considerable practical area experience, FLO provides use of a network of producers or get in touch with facilitation to produce a specific network of suppliers (Austin, 2000).

Second, to gain market power, firms' partnership with NGOs allows them to differentiate their products. In this context, the firm's provided product is actually recognized from additional products through its high quality or through some particular characteristics, which may also allow firms to market the product in a higher price or to produce a niche marketplace. Lantos (2001) claimed that businesses compete with regard to socially accountable customers through explicitly connecting their social contribution for their product sales. Eco-labeling as well as ethical labeling are example of SSCM: Attempts to improve profits through attracting "green" or even socially accountable consumers by utilizing "quality" indicators (Lantos, 2001).

NGOs can enable firms to create benefits by imposing environmentally friendly or socially regulations for themself with an entire industry. Sustainability activities can produce a temporary monopoly to firms which already adhere to such rules. Sustainable requirements implemented through the regulator might thus signify barriers in order to entry with regard to competitors which are not currently in conformity. Through their own advocacy function and are actors within multi-party discussions with government authorities, the personal sector, along with other civil culture

organizations, NGOs can help corporations within their public relationships activities (Schenkel et al., 2015) (Figure 2).

A conceptual model for NGOs role in sustainable supply chain adoption

Emerging to new globalized market demands many requirements that made marketplace hard for many SMEs, while some multinational companies see this barrier as an opportunity and competitive advantage. Sustainability adoption in supply chain management is one of these requirements. Standard, ISOs and labeling are some of basic requirements for each business to be internationally accepted by business partners and supply chain stakeholders. The majority of labeling programs asks certification before they gave an eco-labeling. According to Global Ecolabel Monitor, near two third of eco-labels were run by NGOs.

NGOs may also influence the information that customers are looking for their purchasing decision through two main methods: Cooperation and confrontation. According to Porter and Kramer (2006), the idea of license to use derives from the truth that every organization needs explicit authorization from government, communities, as well as numerous additional stakeholders to complete business. NGOs can proactively encourage other stakeholders to support businesses are sustainability responsible or ban the ones who they are not adopting sustainability. According to Lyon (2010) terminology, these channels are described as so-called "bad cops" or polarizing NGOs, in which assessed the role of these NGO as "Coercive View," and by contrast, "Good cops" or integrating NGOs which supposed these roles as "supportive view." According to discussions (Figures 1 and 2), this study suggested conceptual model for companies that should take to account both NGOs role (Figure 3).

3. CONCLUSION

By proactively engaging in collaborative relationships with NGOs, firms reduce the risk of costly confrontations and gain the benefits collaboration. In supportive aspect, the merits are more for companies that partnering with NGOs which can lead to reducing the cost of disclosure, increasing customer trust, getting policy makers' support and removing SSCO barriers. Notwithstanding,

Figure 2: Supportive role of non-governmental organizations: Demonstrating non-governmental organizations-business relationship in a supportive aspect

Adopted from: Austin, 2000; Lantos, 2001; Deegan and Islam, 2014; Schenkel et al., 2015

Figure 3: Conceptual model: Non-governmental organizations roles in sustainability adoption
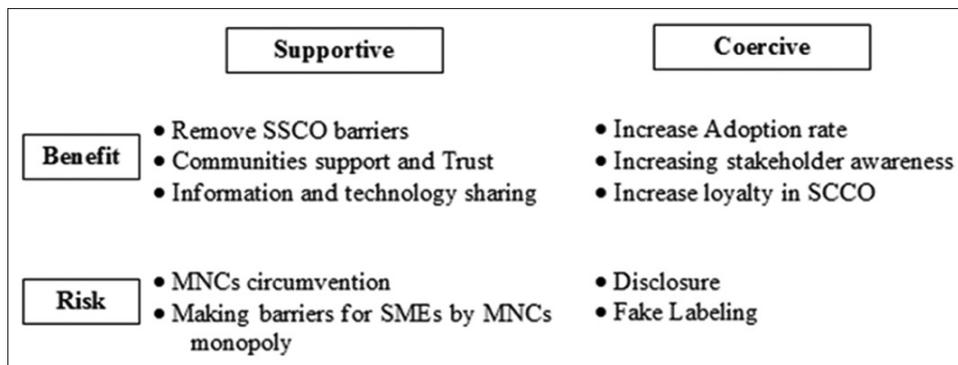
this partnership can make a barrier for SMEs in NGOs-MNCs partnership sector and increase the cost of SSCO for new entries to the market. NGOs confrontation and coercive aspect can compel the companies to adopt sustainability practices and do not circumvent the current accepted regulations. NGOs ties with customers, governments and Media can make businesses more conscious with pivotal role NGOs in social and environmental performance.

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