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# The sustainable supply chain

The creation of a sustainable supply chain by Dutch  
SMEs in the fashion industry

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# Abstract

Previous studies investigated which pressures drive the adaption of supply chain responsibility. Most supply chain responsibility literature is in the perspective of MNEs, while literature from the perspective of SMEs is lacking. The main isomorphic pressures that drive or hinder the implementation of a sustainable supply chain are known, but different stages in the adaption are unknown. Therefore this research identifies different levels in SCR adoption (aware practitioner, sustainable practitioner, and certified practitioner) and management sustainability level. These levels of adoption combined with sustainability management level results into a model with seven types of sustainability categories. These categories are labeled after the main isomorphic pressures that have an influence on the categories. The categories do not follow a sequence; different routes can be taken to create a sustainable supply chain, the route is dependent on the influence of the different isomorphic pressures

# Introduction

Social concerns have been studied throughout the decades, but corporate social responsibility (CSR) has recently received a lot attention. In previous decades, monitoring of organizations by press, political leaders (De Brito, Carbone, & Blanquart, 2008) and other groups (Govindan, Khodaverdi & Jafarian, 2013; Aguinis, Glavas 2012) have increased. An increase in academic research of CSR has emerged (Campbell 2007).

In the CSR perspective, the Fashion industry plays a big role in the environmental and social impact (Caniato et al. 2012; De Brito et al., 2008). Different scandals in the fashion industry such as Nike, (Pedersen 2009) show that companies are being held responsible for the impact of their practices and their supply chain. The supply chains in the fashion industry are complex and consist of many different suppliers from different locations. To remain competitive while enduring economic pressures the step of internalization is easier than “high” investments in new technologies (De Brito et al., 2008; Caniato, Caridi, Crippa, & Moretto, 2012). The corporate social responsibilities of the supply chain are better known as the concept of supply chain responsibility.

In this paper the perspective of the small medium enterprise (SME) is taken instead of the multinational enterprise (MNE). SMEs are responsible for 99% of European business (Ciliberti, Pontrandolfo, & Scozzi, 2008) and are responsible for 50% of employment (Pedersen 2009, p. 109). The evaluation and selection of the

suppliers is the first step into a sustainable supply chain and a sustainable competitive strategy (Dai and Blackhurst, 2011). In this research different perspectives are used (retailer/ first-tier supplier & second-tier supplier), so a better reflection of Dutch SMEs can be given and findings can be used by a broader scope of firms. The adoption of CSR and SCR can be explained by the concept of isomorphic pressures (Powell and DiMaggio, 1983; Husted and Allen 2006). SCR adoption drivers in developing countries are coming from pressures by supply chain partners (Baden, Harwood, Woodward, 2009; Ciliberti, Baden & Harwood 2009, Ayuso, Roca & Colomé, 2013). Other drivers are derived from religious values and ethics (Ciliberti, Pontradolfo and Scozzi 2008). Barriers for adoption include cultural differences, differences in resources, (Ciliberti, Pontradolfo and Scozzi 2008), an SME's lack of resources (financial, knowledge etc.) and bargaining power to implement CSR across the supply chain (Ciliberti, Pontradolfo and Scozzi, 2008; Ayuso et al., 2013).

The supplier selection has traditionally been based on the economic perspective. For example, labor and material costs (Govindan, Khodaverdi & Jafarian 2013), however the selection process is extended into the triple bottom-line Govindan et al. 2013; Dai and Blackhurst, 2011). The most commonly used ranking of a suppliers level has been done by the use of certificates (ISO 14001 & SA8000) (Ciliberti, Pontradolfo and Scozzi, 2008).

Literature shows existing drivers and barriers for SMEs to participate in CSR or SCR, but does not identify different stages of SCR. To fill this research gap a qualitative research has been conducted. Seven Dutch SMEs have been interviewed to gather

information. The data shows different stages/levels in the implementation of supply chain sustainability. Based on the data a model was devised where different stages and routes are displayed to create a sustainable supply chain.

The contribution of this research to the academic field is to give a better insight into the different paths an SME can follow to create a sustainable supply chain and what drives companies to take these steps. Companies can use the model to benchmark themselves on sustainability level and the model gives further insight into what possible paths are taken towards a sustainable supply chain and what barriers should be considered. Additionally, supply-chain partners and governments can use the model to see on which stages they can have an influence on adopting supply chain responsibility.

## Literature review

In recent decades much has been studied about corporate social responsibility (CSR). Previous studies use different definitions to explain the concept of CSR (Ayuso et al. 2013; Russo & Perrini, 2010; Grafstrom and Windell 2011; Matten and Moon, 2008). Campbell (2007) defines CSR as “acting *in socially responsible ways if they do things*”. He states that companies do not deliberately act in a way that can harm stakeholders. When companies do harm stakeholders, this should be rectified whenever the harm is discovered. Another statement of Campbell (2007) is that participation in CSR is voluntarily while Sethi (Husted and Allen 2006) sees this as an obligation of companies. The definition of Aguilera et al., (Spence & Bourlakis, 2009 p. 291)

*“consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm to accomplish social (and environmental) benefits along with the traditional economic gains which the firm seeks”* is the used definition that goes beyond a company’s boundaries and is suitable for the corporate and the supply chain perspective, because the focus of the study is on the responsibility of the supply chain.

CSR is built on three dimensions namely social, economic, and environmental (Ciliberti et al. 2008; Pedersen 2009,). Social refers to the aspects of business ethics, such as goodwill, good citizenship, and transparency (Russo & Perrini, 2010). A company would not violate the social codes (norms and values) of the (local) community (Roxas & Coetzer, 2012). The economic issue is the case of remaining profitable, which is the main responsibility for a company (Mullenbach Severayre and Rhamdi Said, 2010). The environmental issues include new technologies that save water or use less toxic materials (Aguilera-Caracuel and Ortiz-de-Mandojana, 2013).

These first three and most important dimensions of sustainability are often referred as the triple bottom line. The triple bottom line states that the combination of (a minimal) social (Pedersen 2009), economic and environmental performance can result in long-term benefits and can be used as a competitive advantage for the firm (Carter and Rogers, 2008; Seuring and Muller, 2008; Russo and Perinni, 2010).

The economic driver of the triple bottom line used to be the main driver for the selection of practices. After increased attention by the media, government and communities (De Brito, Carbone, & Blanquart, 2008) often referred to as part of isomorphic pressures (Powell and Dimaggio, 1983), companies are increasingly using

social and environmental criteria. In other words, these isomorphic pressures caused an increase in the adoption of corporate social responsible practices (Lim and Tsutsui 2012).

Isomorphic pressures can be divided in institutional isomorphism and competitive isomorphism (Powell and Dimaggio, 1983). Powell and Dimaggio define competitive isomorphism as “assuming a system rationality that emphasizes market competition, niche change, and fitness measures” (1983, p. 149-150), but does not give an adequate picture of today’s organizations (Powell and Dimaggio, 1983). Institutional isomorphism is driven by three mechanisms namely, coercive, mimetic and normative. Coercive pressures are coming from formal and informal pressures from supply chain partners which organizations are dependent on and from expectations coming from the community (Matten and Moon, 2008; Powell and Dimaggio, 1983). Mimetic isomorphism is created by uncertainty of an organization; therefore organizations model themselves after other organizations. Normative pressures are coming from inside the firm and are resulting from professionalization due to similar educations and the elaboration of professional networks (Matten and Moon, 2008; Powell and Dimaggio, 1983).

These institutional isomorphic pressures are drivers for the adoption of corporate social responsible practices. To further define what these specific drivers embody for the adoption of social responsible practices we take the institutional approach instead of the strategic approach. The strategic approach in corporate social responsible practices is; that a company follows the same strategy for the market as it does for corporate

social responsibility. An example of the strategic approach is; if a company's strategy is global, this would mean that only attention is paid to global pressures/global practices. The institutional approach gives a further understanding of other forces on the firm, such as coercive pressures (norms and values) (Hsu, Tan, Zailani & Jayaraman, 2013) (Powell and Dimaggio, 1983). In the global world CSR practices are not always comparable to a corporation's strategic organization (Hsu et al. 2013). A global corporation may be applying a transnational CSR strategy to remain competitive.

These isomorphic pressures play part on three different levels; the institutional level, the organizational level, and the individual level (Aguinis and Glavas, 2012). The institutional level are the pressures coming from different stakeholders of the company that either promote or are against CSR (Surroca, Tribó and Zahra, 2013). The organizational level are the instrumental motivations (CSR is good for business) and normative reasons (feeling responsibility). The individual levels are the normative reasons of individuals (for example the director of a firm or employees) (Aguinis and Glavas, 2012)

Various drivers and barriers can be identified on these three levels. John. L. Campbell (2007) gives different drivers and barriers for the adoption of corporate social responsible practices for each of the levels; financial performance, competition level, state regulations, non-governmental organizations, normative environment and employer associations.

The financial performance is the most important barrier for firms to adopt CSR. Furthermore, if the financial performance is weak and the financial environment is

unstable, this could drive corporate social irresponsible practices (CSiR) (Campbell 2007). The level of competition (organizational level) has an influence, whether there is a low level of competition (monopoly) or high level of competition. If the effects of CSR are rather low, firms might engage in CSiR (Campbell 2007). State regulations (institutional level) that enforce participation increase the adoption of CSR practices and are mediated by the fact if these were based on negotiations with stakeholders (Campbell 2007). State rewarding regulations can also drive firms to adopt of CSR (Campbell 2007). Non-governmental organizations (institutional level) drive CSR practices in a way that these organizations monitor and inform the public about sustainability performances. If a firm operates in a normative environment (institutional level) where certain behaviors are institutionalized, a firm is more likely to follow that certain behavior (Campbell 2007). If firms are part of trade or employer associations (institutional level) that support CSR practices, there is higher probability that the firm will adopt CSR practices (Campbell 2007). Lastly Campbell argues that corporations are more likely to engage in CSR practices if the organization is engaged in an institutionalized dialogue with stakeholders. (Institutional level) (Campbell 2007).

Furthermore, Lim and Tsutsui (2012) indicate five potential drivers for the adoption of global social responsible practices. The first is the connectedness to international society (organizational level), which is explained through institutional theory. The social environment explains organizational behavior. The isomorphic forces coming from the environment can lead to the adoption of corporate social responsible practices. The level of CSR is dependent on the level that a firm is embedded in the

global society (Lim and Tsutsui 2012; Servayre and Said, 2010). The second driver is the legitimacy of CSR within a country. This means that the level of governments' transparency and rationalizations of business environments influences the probability that a country embraces global CSR frameworks (Lim and Tsutsui 2012). Cross-national economic relations are a third driver. Short-term trade relations have to stand out among others to be selected by business partners and are therefore more likely to adapt CSR practices. Long-term relations are screened and monitored by the customers (Lim and Tsutsui 2012). A fourth driver for the adoption of CSR practices is the level of a liberal economic system. With a liberal economic system global CSR frameworks are more easily implemented (Lim and Tsutsui 2012). The last drivers according to Lim and Tsutsui for the adoption of corporate social responsible practices are ceremonial reasons. In for example developing countries the adoption of CSR practices have to be done out of free will, the lack of CSR practices in developing countries is due to the lack of will and the lack of capacity due to unstable environments (Lim and Tsutsui 2012).

Campbell (2007) and Lim and Tsutsui (2012) sum up the main drivers and barriers to engage in (global) corporate social responsible practices. The article of Pedersen et al. (2013) focuses on the pressures of governmental regulations (institutional level) on the implementation of CSR practices and concluded that CSR reporting is largely influenced by coercive pressures from the governmental environment. S.W. Howton, D.S. Siegel and J.P. Doh (2010) focus on the relation between social and financial performance (organizational level). Howton et. al. show

that good social performance has a positive effect on the financial performance (organizational level).

Corporate social responsibility gained more attention due to different isomorphic pressures. Recently a shift has occurred from corporate social responsibility (CSR) to supply chain responsibility (SCR) (Linton, Klassen, Jayaraman, 2007). With SCR the responsibility of a company goes beyond a company's borders. SCR has become more important after various scandals (Nike; Pedersen, 2009) have shown that companies are held responsible for their supply chain. Supply chain responsibility is a combination of corporate social responsibility and supply chain management. Supply chain management is the management of procurement, production and distribution (Thomas and Griffin 1996). The authors Spence and Bourlakis (2009) explain how to get from corporate social responsibility to supply chain responsibility. The authors give a gradual evolvement from corporate social responsibility to supply chain responsibility and state that there is a stage between CSR and SCR called the corporate social watchdog. In the stage of the corporate social watchdog, firms are informed about the effects of their suppliers CSiR on their organization (Spence and Bourlakis 2009). In this stage the corporation moves from open market negotiations to a more co-operative stage where suppliers are evaluated on their values and expectations. Eventually the company moves from co-operation to co-ordination and eventually to collaboration in social responsibility (Spence and Bourlakis 2009). Supply chain responsibility is also referred to as sustainable supply chain management (SSCM), where the complete chain is taken into consideration regarding responsibility. The key-aspects of supply chain

responsibilities are that the complete supply chain is committed to achieve social and environmental goals. These goals can not only drive an organization to be more positively related to social and environmental concerns, but also positive rating from stakeholder and positive effects on profitability (Markley & Davis, 2007). All links within the chain have a voice, and there is not one dominant corporation. Furthermore in SCR, a genuine partnership approach is taken, meaning that all corporations have to make a contribution and that different organizational forms within the supply-chain (SC) are acknowledged. (Spence and Bourlakis 2009).

This shift from CSR to SCR can be seen in the increased attention towards supply chain responsibility. This can be seen in the fact that large companies such as Nike (Pedersen, 2009) are increasingly held responsible. Still, most SCR adoption articles are written in the perspective of the MNE, because most attention is towards these larger companies. The literature in the perspective of SME is therefore lacking behind (Ciliberti, Pontradolfo and Scozzi, 2008).

Based on the existing literature it can be concluded that there are two isomorphic pressures that have an effect on SME's SCR adoption. The first drivers for adoption of SCR are coercive pressures such as supply chain partners, governments, religious values and ethics (Ciliberti, Pontradolfo and Scozzi 2008, Baden et al. 2009; Ayuso et al. 2013,). The second pressures are the normative pressures coming from a director's personal beliefs (individual level) (Baden et al. 2009). Besides that, isomorphic pressures can drive SCR; however, they can also hinder the adoption process.

In the adoption of SCR practices, SMEs have other obstacles than MNEs. The main obstacle lies in the differences between institutions like formal and informal laws that lead to different business systems and different governmental enforcements (actual laws or voluntary corporate governance codes) (Matten and Moon, 2008) and resource gaps. The pressures coming from the consumers are low in the perspective of sustainability, the main drivers for a consumer to purchase a product is based on quality and price (De Brito et al., 2008). In developing markets, corruption can be another barrier for the implementation of SCR. (Ciliberti, Pontradolfo and Scozzi 2008). Obstacles for an SME compared to an MNE are the differences in bargaining power (Pedersen 2009). The relative costs for SMEs are higher due to necessary resources such as monitoring costs. SMEs are not capable to do their own monitoring and are therefore obligated to work with non-governmental audit organizations (NGO) (Ciliberti, Pontradolfo and Scozzi 2008; Ayuso et al. 2013). MNEs have a stronger incentive to adopt SCR, because MNEs are more visible in the market and therefore suffer a greater loss when scandals appear (Ayuso et al. 2013). Due to the lower pressures an SME can exercise, SMEs have other types of relationships compared to MNEs. While MNEs have more formal arrangements, SMEs are obligated to use more social factors to manage relationships (trust) (Morrissey and Pittaway, 2006).

To create a sustainable supply chain, according to the article of Pagell & Wu (2009) the company needs certain requirements to implement practices that lead to a more sustainable supply-chain. The practices to implement a sustainable supply chain are in most cases equal to best practices in supply chain management. Companies

need to be innovative and require a sustainability-oriented management that highly value supplier continuity as an important outcome in order to create a sustainable supply chain. The managers of the management have close relations with NGO's. To create a sustainable supply chain a strong operational metrics foundation is needed (Pagell & Wu, 2009). Furthermore, companies need sustainable suppliers to create a sustainable supply chain.

There are different methods used to define and select a sustainable supplier. In the articles of Dai and Blackhurst (2011) and Govindan et al. (2013) a sustainability perspective is taken when defining a supplier assessment, by taking the triple bottom line perspective into the supplier assessment. Dai and Blackhurst (2011) use criteria based on the voice of the stakeholder and customer, and give a chronological stepwise model into the selection of suppliers. First the linkage of customer's requirements and the company's sustainable strategy; second, the linkage of corporate sustainable strategy and the purchasing priorities; third, the linkage of the purchasing priorities to the attributes of the supplier assessment and last, the assessment of the performances of the suppliers based on the attributes of the supplier assessment.

Different tools and criteria can be used to define what the right supplier is for the company in the perspective of the triple bottom line. Not all these tools and criteria's are used by SMEs. A few articles give a little insight into what is used by SME to select their suppliers. Ayuso et al. (2013) stated that the CSR criterion is used if there are pressures from buyers. This evaluation is mainly based on two certifications; the SA8000 and the ISO 14001. If the suppliers are not certified the corporations still monitor and evaluate

them based on the principles of SA8000 (Ciliberti, Pontardolfo and Scozzi 2008). On the other hand to be selected SME themselves adopt these principles to be selected and this causes a diffusion in SCR practices (Ayuso et al. 2013).

The current literature shows drivers and barriers for SMEs to participate in SCR, and the benefits in having sustainable suppliers. The literature also shows what requirements are needed to implement a sustainable supply chain and there are guidelines (certificates) that can be used to create a more sustainable supply chain. The question remains; which actions are executed by SMEs to create a sustainable supply chain? Are there different phases that can be identified and do all SMEs follow the same path in creating a sustainable supply chain?

## Research questions

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Based on the research gap, the following research question has been stated:

*“How and why would Small-Medium Enterprises “implement” supply chain responsibility in their supply chain and what are the constraints or barriers in this process”?*

This question is further specified to the following sub-questions:

SQ1: What steps are taken in creating a sustainable supply chain and can these be seen in a sequence or are there different routes?

SQ2: What and how do institutional isomorphic pressures have an influence on the adoption of sustainable supply chain management and how do they influence the taken steps and phases?

## Data and method

The nature of the study is exploratory as the study aims to identify the phases and steps that are taken to create a sustainable supply chain. What factors (for example: whether you are in the “B2B” market or in the consumer market) play a part in the adoption or a successful execution of SSCM? To answer the research questions a qualitative research was conducted. By using a qualitative research, there is the possibility to obtain more in depth information. Meaning that through a qualitative research there is a better possibility to measure CSR/SCR on a multi-level (institutional, organization, individual level) (Aguinis and Glavas, 2012).

Multiple case studies were conducted to seek a deeper explanation and reduce possible biases that can come from using a single case study.

### Case selection:

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The cases used are Dutch small-medium fashion enterprises, due to accessibility reasons and reduce of language barriers. In the European Fashion industry, companies have their suppliers located beyond country borders, due to increasing globalization pressures. Due to economic reasons, many firms in the fashion industry had to relocate to cheaper production areas to remain competitive (De Brito, Carbone and Blanquart, 2008). Therefore companies in the sample have their suppliers located outside of the Netherlands. It is important to make this distinction due to differences in supplier relations regarding trust. Relations are becoming more dependent on trust (Doney, P. M., & Cannon, J. P. 1997), the dependence on trust is a large difference between

national and international supplier relations, the distance decreases the ability to check suppliers and therefore companies have to rely more on trust. The head quarters of the companies need to be located in the Netherlands, because the head quarters are in charge of decision-making.

The potential respondents are gathered through the Fame database, Go Fashion Fair and through other connections. These respondents have been contacted by phone. During this call the respondents are informed about the research goals, privacy and the benefits for the participating companies. Afterwards the respondents received more detailed information by email.

## Data collection

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The primary data collection was done through interviews at the offices of the respondents. The interviews are semi-structured with open-end questions, to get more in depth information. The interviews start with the explanation of the recording, transcribing and the privacy issues of the interview. All the interviews follow the same structure (appendix 1); first the background of the company, then followed by the product portfolio and the supply chain. And lastly a more in-depth focus on sustainability is taken and finishing with some round-up questions. All the questions are designed to start a discussion, to get a fuller understanding of the reasoning behind the actions of the company.

## Cases

In Table 1 the company characteristics of the used cases are displayed. A company is considered a retailer when a company sells directly to the consumer. Companies are labels, when companies' design and "produce" products with their own brand on the other hand are wholesalers. A company is considered a wholesaler, when the company designs and "produces" products for other labels.

Table 1 Company characteristics

Company	Segment	Type	Production
C1.1	Dresses	Retailer	Unknown
C1.2	Dresses	Label	Europe
C2	Jackets	Wholesaler	Asia
C3	Female clothing	Label	Asia
C4	Custom-made clothing	Wholesaler & retailer	Asia
C5	Shoes	Label & retailer	Europe
C6	Coats & jackets	Label	Europe & Asia
C7	Female clothing	Label & retailer	Europe & Asia

## Strengths study

Using a qualitative method in this research gives a more in-depth illustration of the different factors that drive sustainable supply chain management. Also a deeper illustration of the supply chain responsibility phases that SMEs go through. By looking at different types of SMEs (B2B and consumer market), a better-grounded conclusion can be drawn by including B2B and consumer markets

## Construct of codes

The data collection resulted in a rich data set, which is summarized in appendix 2. To answer the research questions, the data is moved from a "shapeless data

*spaghetti toward some kind of theoretical understanding that does not betray the richness, dynamism and complexity of the data, but that is understandable and potentially useful for others” (a. Langley, 1999, p. 694).*

To do this, the data needs to be sorted by using categories, subcategories, and codes. For these codes a combination of a deductive and inductive approach is used. This means that the first codes we derived from literature (appendix 3) and were further extended (Miles and Huberman, 1994). These codes were made to answer the research questions.

To answer the research question(s), there are components of the question that should be defined further. What is a supply chain and who are involved? What is supply chain responsibility and how is this created (process)? What are isomorphic pressures and how and where do these influence the process? The combinations (construct) of these components (codes) are used to answer the research questions.

The data was categorized in three groups: company context, supply chain sustainability, and isomorphic pressures (table 2). These categories were further specified into sub categories. The company context was divided into company type & supplier relation characteristics & location. The second category supply chain sustainability was divided into sustainability type, supply chain sustainability level, supplier selection, and non-governmental sustainability organizations. The last category of isomorphic pressures was divided in coercive, normative of mimetic pressures.

Table 2 Construct of codes

Company context		SCR		Isomorphic pressures	
Type	Retailer Wholesaler Both	Type	Environmental Social	Coercive	SC partners Government Consumers
Relation	Long-term Short-term Dependent Independent	Level	Knowledge Actions	Normative	Board of directors
Location	Europe Asia	Selection	Price Quality Social Trust Environmental	Mimetic	Competitor
		NGO's	Employer association Audit organizations Charity		

#### Company context:

It is important to define the context to see if there are relations between the context of the company and the sustainability level of the company. The context is defined based on the type of profession (wholesaler or retailer), type of relationship with supplier and production location.

#### Supply chain responsibility

The different aspects and level of supply chain responsibility needs to be known in order to make a distinction between the companies and their level of sustainability. Based on literature sustainability practices can be divided in two types, either environmental (chemical usage, production waste) or social (work conditions employees). Supply chain sustainability level is divided into knowledge level and action

level; this defines if there is a relation between the level of knowledge and the action level regarding sustainability issues. The supplier selection criteria (price, quality, social, trust, environmental) of the company gives insight into the fact to what extent sustainability issues are weighted against other criteria when suppliers are chosen. Non-governmental sustainability organizations (employer organizations, external audit organizations, charity) can be an important factor in creating a sustainable supply chain. To what extent are companies aware of these organizations and what is the part of these non-governmental organizations to get SMEs to a sustainable supply chain?

### Isomorphic pressures

Isomorphic pressures can be divided in coercive (supply chain partners, governments, consumers), normative (board of directors), and mimetic (competitors) (Powell & Dimaggio, 1983), it is important to identify what pressures have an influence on the process of creating a sustainable supply chain and to define if some are more important than others.

## Results

Based on the codes, certain relations and patterns were identified in the data to answer the research questions stated earlier. In the first section are the actions by the company divided into categories towards a sustainable supply chain. In the second paragraph are the isomorphic pressures displayed that have an influence on these

actions and in the third paragraph, the characteristics of the supplier relation are shown and connected to the sustainability level.

### Sustainable supply chain; knowledge, capability & actions

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In the data, the companies do not all take the same actions towards a sustainable supply chain, but there are different patterns that can be identified. All of the companies are aware of the happening of “unsustainable” practices in the world, but still differ in their knowledge, capabilities and actions. The actions taken by companies differ between doing nothing and implementing a certified set of first suppliers by a sustainability active management. In between are companies who do not have certified practices, but do take actions to create a more sustainable supply chain (SCR motivated or organizational motivated) and companies who do have their sustainable practices certified by non-governmental organizations, but are not putting in effort to increase their knowledge regarding sustainability issues.

These actions are divided in five categories that were derived from the data. These categories are aware, sustainable actions SCR motivated, sustainable actions non-SCR motivated, NGO certificated and sustainable management. These categories were defined based on the data. These categories are further defined in the following sections.

A company is considered aware when a company mentioned sustainability related issues and acknowledge the difference between sustainable and unsustainable suppliers. Company two states an example of this case: *“People need resting breaks*

*and good meals, sanitation, just the very normal facilities. It is just better than to see a 1000 people in a factory fighting to live their lives, you do not want that”.*

SCR related actions are actions that are executed by the companies that had a positive impact on sustainability related issues. These actions can either be social (better conditions) or environmental (decrease transportation, less chemicals etc.). These actions are distinguished between SCR motivated and non-SCR motivated. SCR motivated actions were done to increase the sustainability level of the company and their supply chain. Examples of this are actions taken by company six: *“We do not want those strange practices, where those animals have to suffer. It is important! And at the moment the Finnish raccoons are sky high, really expensive and that is where we take our loss”*. The company only uses fur of animals that were better treated. The company does not want to be associated with the cruel practices of the much cheaper Chinese fur. The price of the better-treated animals (Finnish fur) has increased more than expected, and therefore the company costs are higher than calculated. Non-SCR motivated actions are actions that have had a positive effect on SCR related issues, but were not executed to increase sustainability. An example of this case is company five: *“Previously China, which orders it would take 6 to 8 weeks until it is here, because you have to transport it by boat or by airplane which is very expensive. Another aspect is that the costs are rising”* The company moved their production from Asia to Europe to have a shorter time to market and increase flexibility.

A supplier is certified when the retailer/wholesaler has a partnership with a non-governmental organization that audits their suppliers on sustainability related issues. An

example is the certified company two. *“We have joined the BSCI, who guarantees to our buyers that we are doing well and we show BSCI everything needed”*

The management of retailers/wholesalers is labeled sustainable when the company management is active in following and implementing sustainable developments and the sustainability is considered a key-aspect of the company values. The best example in the data in sustainability management is from company seven *“Clothing isn’t just beautiful, not just on the outside, but also it should be created fairly, so it can be beautiful on the inside. Sustainability is in our DNA”*

The companies have been categorized on these criteria; the results are displayed in table 3.

Table 3 Sustainability actions

Company	Awareness	SCR actions based on organizational motives	SCR actions based on organizational motives	NGO certificated suppliers	Sustainability management
C1.1 (Retailer) <sup>1</sup>	Yes	No	No	No	No
C1.2 (Label)	Yes	Yes	No	No	No
C2. (Wholesaler)	Yes	Yes	No	Yes	Minimal
C3. (Label)	Yes	Yes	No	researching	No
C4.(Wholesaler & retailer)	Yes	Yes	No	researching	No
C5. (Label & retailer)	Yes	Yes	No	No	No
C6. (Label)	Yes	Yes	Yes	No	Yes
C7. (Label & retailer)	Yes	Yes	Yes	Yes	Yes

<sup>1</sup> Company one is both a retailer and a wholesaler, these sides have a different level of sustainability and are therefore seen as separated companies, other companies with a combined profession did not encounter large differences and are therefore not seen separately.

<sup>2</sup> A video about the removal of the fur of angora rabbits was posted online. The

## Isomorphic pressures

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In the next section the pressures are described that have an influence on decisions regarding supply chain sustainability. These pressures explain why a company is currently located in one or two of these categories in table 3. The isomorphic pressures are divided over the different categories where they have an influence. The isomorphic pressures from the data are divided in coercive (external) and normative (internal). A summary is displayed in table 4

### From awareness to a sustainable practices

For a practitioner to move from awareness to sustainable, different isomorphic pressures have an influence on the movement. These pressures are divided in coercive (external) pressures and normative (internal) pressures.

#### **Coercive pressures:**

The coercive pressures that have an influence on the movement from aware to sustainable are governments, supply-chain partners and the level of visibility to the community. The governments of production or importing countries can have a positive influence on this movement, due to the regulations that companies have to comply with to produce or import in the specific country. An example is the sustainable actions implemented by company five: *“Basically there are norms by the government, in term of conditions of which we have to comply”* The company wants to produce by a specific quality level, which was only available in Italy. European suppliers have to comply with European production norms. Beside to positive influences, the governments can also

have a negative influence due to differences in taxes. The taxes to import from a more sustainable country might be higher, and therefore companies might prefer less sustainable countries. In the sample company four has experienced this type of negative pressure: *“Import taxes are higher in China than Bangladesh, the government should make these equal or lower”*

While supply-chain partners are known to have a positive influence on the adoption of supply chain responsibility, the supply-chain partners can also have a negative impact. When supply chain-partners have a larger bargaining power and therefore have difficult manageable request, this can result in that companies have to make a choice. A choice between losing business and remaining sustainable or comply with the requests and choose for less sustainable options. Company two has experienced large pressure from their supply chain partners; *“Sometimes we have to say take it or leave it, we also have our responsibility towards our employees and continuity we still have to make money”* The company explained that requests of buyers are becoming infeasible. The results of these requests lead companies to make choices between sustainable or profitable. The company currently still declines these kinds of requests. Another example is company three, the company lacks bargaining power over their suppliers, the companies have a more difficult task to create a set of sustainable suppliers: *“The hardest problem is to find someone who is willing to create an order with 28 pieces for you, without the certainty of receiving a larger order”* Company three has already a challenge to find willing producers, therefore the company lacks bargaining power for requests considering sustainability.

While visibility is a positive pressure to adopt supply chain responsibility for MNEs it is a negative pressure for SMEs, due to their lack of visibility in the community and are therefore less vulnerable for negative publicity. The retail side of company one states that the impact of negative publicity from one of their brands is low, due to the lack of visibility and because their brands are sold at multiple retailer. *“The effect is low, because a lot of shops in the Netherlands sell the same labels. So you are not the only one, but you increase your vulnerability when you sell brands that are exclusive”* Many shops sell the same brands as company one. When a brand is negatively in publicity the effects for the company are low, because company one is not the only one selling the brand.

***Normative pressures:***

Beside coercive pressures also normative pressures have an influence on the adoption of sustainable practices. Companies have learned through experience that having sustainable suppliers comes with different benefits compared to less sustainable suppliers. This experience and knowledge has a positive influence on the further adoption of sustainable practices. A few companies in the data have had the same experience like company seven: *“The better the quality, the more likely the supplier is transparent, sustainable and wants to cooperate. Sustainability and quality go hand in hand”*

Beside experiences, the director of the company has a large positive influence on the adoption of supply chain responsibility. The director of a company has a large influence on the decisions regarding a company’s strategy and values. In SMEs many

decisions are taken by the director, therefore the opinion of the director has a strong influence in adopting sustainable suppliers. Company seven has been founded to be a sustainable label, this is a perfect example of the strong influence a director can have on sustainability adoption. The director of company seven highly values sustainability issues.

Beside positive pressures, companies also experience negative normative pressures. To create a sustainable supply chain different resources are needed like financial or know how. When resources aren't available a company might not be able to implement supply chain sustainability, which hinders the implementation of a sustainable supply chain. Company six is an example that due to their know-how gained by their former house of brands they are able to implement supply chain responsibility practices. *"With our former house of brands we had a large organization with a lot of brands... now ... it is more complicated and expensive. So we were lucky that ... we already gained a lot of knowledge"* Company six has already implemented multiple actions to create a sustainable supply chain due to knowledge, this is a good example of the importance of knowledge beside financials.

### From sustainable practices to certified sustainable practices

On the movement from sustainable practitioner to certified practitioner, coercive and normative pressures have an influence. These coercive and normative pressures are not equal to the pressures that were experienced in the previous stage (aware to sustainable).

**Coercive pressures:**

The negative pressure the supply-chain partners had on the previous movement (from aware to sustainable) a positive influence is experienced in to movement from sustainable to certified. Supply chain-partners can require from the companies to have a set of certified sustainable supplier. The requirements coming from the supply-chain partners from company two led to the certification of their suppliers. *“It was a requirement of one of our customers saying you have to be part of the BSCI, so we went to research it and what are the requirements”*

**Normative pressures:**

While the coercive pressures on the adoption of certification are positive, the normative pressures are negative. The certification investment is relatively large. When the organizational benefits do not weigh up against these investments companies do not comply with these requirements. Due to the small benefits for company four the company is currently not certified; *“We do not have anything to hide and the conditions of our workers are fine, I do not have to be certified, which will cost me a few 1000’s euros!”* *“I haven’t had many clients who asked me to show them my certificate, so we had to do it for ourselves. And the time and investments should be equal to the benefits”*

**From non-sustainability management to an active sustainability management**

The data shows that the level of sustainability management does not have to be equal to the level of sustainability implementation. Different isomorphic pressures have an influence on the level of sustainability management.

**Coercive pressures:**

Coercive pressures to have a sustainability management are coming from NGO's. NGO's have the ability to inform companies about issues and new developments regarding sustainability. Company six is informed by employer associations about new developments in sustainability "*We are informed of new innovations by the employer association of all new stuff and standards and we try to integrate them as much as possible*" #C6 (positive pressure NGO).

**Normative pressures:**

Beside the positive impact from NGO's also the director has a strong influence on the adoption of sustainability management. Again the example of company seven can be used, company seven was founded to be a sustainable label due to values coming from the director.

All the pressures on each of these sustainability levels are summarized and displayed in table 4.

Table 4 Isomorphic pressures

Aware to sustainable		Sustainable to certified	From non-sustainability management to sustainable management
Coercive pressures	Governmental pressures Supply-chain pressures - Visibility level -	Supply chain partners +	Non-governmental organization +
Normative pressures	Organizational benefits + Director company + Lack of knowledge and resources - Bargaining power -	Lack of knowledge and resources -	Director company +

### Company context & sustainability actions

There are relations between the level of sustainability and the company/environment characteristics. The companies in the sample who state to have taken successful actions in the light of sustainability tend to have longer relations with suppliers to maintain quality and continuity. There is no distinction whether suppliers are certified or not. Company four gives an example of the importance of a good relation between a company and its suppliers: *"You do not want your supplier to go for quick money, but for stability, this can only be created by centralizing, so by putting a lot of orders at one supplier"*

Another finding is the bargaining powers of the more sustainable companies onto their suppliers. The bargaining power of the more sustainable companies tends to be higher. The increase in bargaining power is due to the great loss for a supplier when the relation is finished. Company four gives an example of their relation with their supplier:

*“We have a good and long term relation with our suppliers and when we mention we are taking a client, but do not dare to consider it as your new clients. No they don’t that, because they can lose two million at our side to gain a ton, so they won’t”*

Another finding was that companies do not experience large pressures coming from consumers, but there has been an increase in fur related questions after the angora incident<sup>2</sup>. All of the companies acknowledge that consumers can have a great influence on the progress of sustainability, but currently SCR related questions are still mostly coming from supply chain partners.

### Sustainability movement

There is an increase in requests coming from larger buyers for sustainable certified suppliers. Due to this increase in request for certification, are the small medium companies researching the possibilities of this option.

## Discussion

The findings from the data are in line with earlier findings in the literature (appendix 4). Pressures that are experienced by the companies are equal to those in the literature, but there are two exceptions. In the data a negative effect of government pressures was mentioned, these pressures have not been found in the existing literature. In other studies the competitive market level pressures are mentioned, but the

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<sup>2</sup> A video about the removal of the fur of angora rabbits was posted online. The video had gone viral and consumers are shocked about these cruel practices.

companies in the data did not experience these pressures. The reason could be due to the in general low involvement of SMEs in sustainability issues. Companies compete on price and quality and less on sustainability.

Beside the similarities between data and literature, there are other findings that have not been mentioned in earlier studies. The data shows that there are different levels in supply chain sustainability for small-medium enterprises in the Dutch fashion industry. The data shows that companies can be aware of sustainability issues, companies are executing actions to create a sustainable supply chain and some companies only work with certified suppliers. Beside these categories, companies can also have a sustainability minded management team. Based on the findings in the data three types of practitioners were defined. The first type of practitioner, is the aware practitioner, the second is the “sustainable” practitioner and third is the certified sustainable practitioner. The “aware practitioner” is aware of the happening of unsustainable practices, but has not taken actions to create a sustainable supply chain. An example of the aware practitioner is the retail side of company one. Company one’s retail side is aware, but has not taken action to create a set of sustainable suppliers. The second is the “sustainable practitioner”; the sustainable practitioner has taken actions to create a more sustainable supply chain (either SCR or non-SCR motivated). The practices of the sustainable practitioners are labeled as sustainable by the company, but not by an independent party. The majority of the companies of the data are present in this category (Company one’s label, company two, three, four and five). The third category is the “certified practitioner”. The certified practitioner does not

necessarily differ a lot in sustainable practices of their suppliers from the sustainable practitioner, but the certified sustainable practitioner has incorporated formal monitoring mechanisms into their sustainable practices. Companies two and seven are part in this category.

Beside the implementation level there is another category, namely the sustainability management. In the last category, the distinction between companies is based on their sustainability management. A company with a high sustainability management follows closely developments in sustainability related issues and implements these innovations where possible. The companies six and seven have a high sustainability management, while the sustainability level of the management of company five is relatively low. Company five complies with governmental requirements needed to get permission to produce, but mentions that the management does not consider sustainability issues in their strategy. The company states that this is due to the relatively low attention the shoe industry has compared to the clothing industry regarding sustainability.

Based on the data the conclusion can be drawn that part of these categories can be seen in a sequence. First up is the aware practitioner, followed by the sustainable practitioner and the certified practitioner, because a certified practitioner cannot be certified before it has implemented sustainable practices and sustainable practices cannot be implemented before awareness is created. The active sustainability management cannot be placed in the sequence, because it can be combined with the other stages.

## Supply chain sustainability process-model

Based on these findings the model in figure one was created. The model consists of a 3x3, the vertical axe with the level of sustainability (actions) and the horizontal axe with the level of sustainability management.



Figure 1 SCR process model

The model consist of nine boxes, each box is a further specification of the implementation levels mentioned earlier (certified practitioner, sustainable practitioner & aware practitioner) by combining each level with different levels of sustainability management. In the model are two black boxes, these boxes remain unidentified because these black boxes are assumed to be theoretical impossible and no examples were found.

In the box unsustainable are practitioners that are aware of unsustainable actions, but have not taken actions to create a more sustainable supply-chain. The management does not feel obligated to implement supply chain sustainability improvements.

The box of resource constrained, the company is aware of unsustainable actions, but do not have taken actions to create a sustainable supply chain due to lack of resources or bargaining power. The management of these companies feels responsibility for the supply chain, but is still making most decisions in the perspective of economic benefit.

Governmental motivated companies do comply with minimal sustainability standards. The companies have to comply with these standards in order to be able to produce or import in these countries. The management of these companies has not put a lot of thought or effort into the consequences of their supply chain.

Organizational motivated companies have pursued actions to create a more sustainable supply chain. These actions are motivated by organizational benefits. The difference between governmental and organizational motivated is in the level of sustainability management. The organizational motivated management is involved in sustainability solutions and feels responsible for their supply chain.

Management motivated companies have executed actions towards a sustainable supply chain due to the beliefs and values of the management. The management is deeply involved in sustainability related issues and closely follows innovations on sustainability.

Organizational and buyer motivated firms are similar to organizational motivated firms. The actions towards a sustainable supply chain do not differ a lot and are in most cases equal, but due to pressures from buying supply-chain partners companies work with certified suppliers. Independent organizations audit the suppliers of the wholesaler on sustainability requirements. Wholesaler has to work with these independent suppliers to keep the business.

The organizational and buyer motivated are firms who are similar to management motivated firms. The difference lies in that organizational and buyer motivated firms have certified practices audited by an independent organization. Like organizational and buyer motivated firm are organizational and buyer motivated firms pressured by buyers to have their suppliers certified.

### Company positioning

The companies can be divided according to the model (figure 2). The companies from the data are positioned in the different categories based on their sustainability actions and sustainability management.

Company one retail side (1.1) is positioned in the box of resource constrained. Due to large bargaining power of their suppliers, the company is unable to check the practices of their suppliers. The company does try to create small sustainable practices where possible, but is not engaged in further research to increase knowledge of sustainable practices and developments

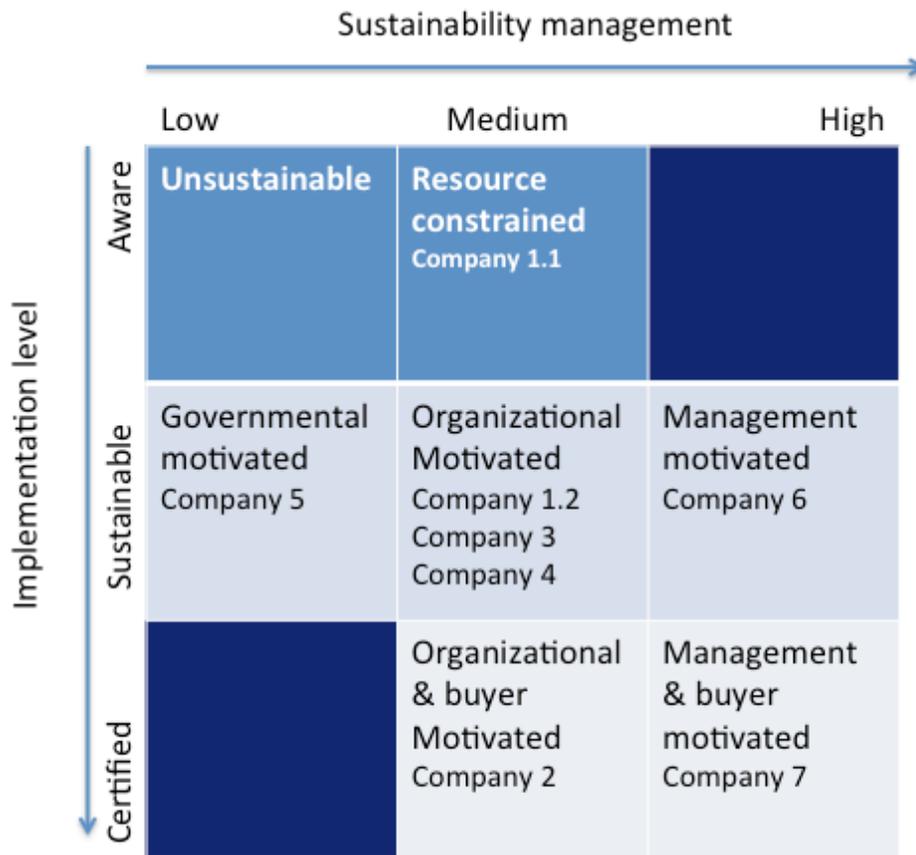


Figure 2 SCR progress model with sample

While company one Label (1.2) is positioned in organizational motivated. Company one Label has the same management, but has implemented sustainable actions towards a sustainable supply chain. The company has moved its production closer to their market (decrease of transportation) to increase control over the production and flexibility. Other companies in this category are company three and four. These companies both select their supplier based on price, quality and working conditions. Company five is located at governmental motivated. The company has sustainable practices in terms of the minimal requirements by the European government. The management of the company is currently not active on sustainability

related issues and is therefore placed between low and medium sustainability management. Company two is located at organizational and buyer motivated. The company has their practices certified by the BSCI, because of requests by buyers. The company is part of an employer organization, but does not mention it to be a large input for sustainability related actions. Company six is positioned at management motivated. The suppliers of the company have been certified for years, but now the employees of the company do these checks. The company has an active sustainability management in social terms and uses this as one of their points of differentiation. In the box of management and buyer motivated is company seven positioned, the company has a high active sustainability management which is deeply involved with employer associations to maintain informed about new solutions in to implement sustainability and the fair wear foundation that checks the suppliers of the company.

### Movement and future predictions

Companies aim to move towards buyer and organizational motivated, but can follow different routes. The majority of the companies have now moved from aware to organizational motivated. The companies have become aware of sustainability related issues and have become aware of the benefits of having sustainability related issues and therefore took actions towards a more sustainable supply chain. Companies who moved from aware to resource constrained are lacking financials, know-how or bargaining power to implement a more sustainable supply chain. Companies, who moved from aware to governmental motivated, are forced to comply with governmental

requirements, but have not yet learned the benefits & possibilities of having sustainable suppliers.

Most companies are currently located in the box of organizational motivated. The data predicts a movement towards organizational and buyer motivated, due to the increase in request coming from buying supply chain partners to only have certified suppliers. Currently two out of three of these companies are researching the pros and cons of having certified suppliers and which independent parties are out there.

Currently consumers do not put pressures on the companies, while consumers in the opinion of the companies can have a large influence on the implementation of supply chain responsibility. Question regarding fur related issues has increased and has changed company's actions. Expected is if consumers attention on sustainability increases, companies will move towards the right of the model (higher sustainability management).

### Limitations & implications

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The conducted research comes with a couple of limitations, but also implications for managers and policy makers. The first limitation of the qualitative study is that there is no agreed-upon significance level, so further testing is required by just using Dutch SMEs the findings might not be applicable for companies located outside of the Netherlands. The respondents are SMEs but no further distinction has been made between micro, small or medium, therefore there is a chance that the results could differ due to company characteristics.

A managerial implication of the research is that the model can be used to benchmark the small company compared to the industry. Managers can also use the model to decide future directions based on the pressures they encounter and what pressures are expected in the future and how they can differentiate themselves before it happens. Beside the SME, the supply-chain partners of these smaller companies can use the model, to define based on the position of the SME whether the supply-chain partners can have a positive influence on the creation of a sustainable supply chain.

### Implications for policy makers

Policy makers can use the finding of the negative governmental pressure regarding tax incentives as an input to create tax-policies that stimulate the adoption of supply chain responsibility.

## Conclusion

The existing literature about the adoption of the supply chain sustainability in the perspective of SMEs identifies different isomorphic pressures that have an influence on the adoption process. The current literature does not define what steps are taken by SMEs to create sustainable supply-chain. Therefore the objective of this research was to identify different phases in the creation of a sustainable supply chain and which isomorphic pressures have an influence on each of these phases. To answer these questions, in depth interviews were conducted at seven fashion related SMEs located in the Netherlands. Based on the data different stages in creating a sustainable supply

chain were identified. Companies are positioned according to their actions towards creating a sustainable supply chain and the attitude of the management towards sustainability. These two combined led to seven categories, namely unsustainable, resource problem, governmental motivated, organizational motivated, management motivated, organizational and buyer motivated and lastly management and buyer motivated. The least sustainable categories are the companies in the unsustainable category and the most sustainable companies are positioned in the management and buyer motivated category. To become more sustainable different routes can be followed through the model. The movement from one to another category is dependent in each case on different sets of isomorphic pressures. Not every category encounters the same set of pressures and the deviation of strengths among the pressures influence the path taken towards a sustainable supply chain.

The current research outcomes are based on a small sample of Dutch SMEs in the fashion industry, in a future research the model should be tested in a larger international sample to define if the model is representable for the larger international context. The current movement is from uncertified to certified practices, but the environment is changing fast. Future research could conduct the research once more to see if the dynamics and phases have changed. Lastly another interesting subject for future research is to define the pressures behind the increased request of buyers to have certified.

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# Appendices

1. Example interview schedule
2. Summary transcripts
3. Sources of codes
4. Literature vs data

# Example interview schedule

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## Fashion Industry

The sustainable supply chain

Interview Schedule

Version #

Data

*Universiteit van Amsterdam, UvA  
Lonneke Kuijstermans*

*Firm: #####*

*Contact: #####*

*Address: #####*

*Telephone: #####*

*Date of interview: #####*

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■ Introduction

1. Introduction interviewer
2. Explanation privacy
3. Explanation recording and transcription

■ The company

### Founding the company

---

1. Who is/are the founders of #####
  - a. Background: education, motivation, skills, leadership, ambition
2. The founding of #####:
  - a. When, where, why, and who were involved

### Company characteristics

---

1. Headquarters & subsidiaries? (where & how many & why)
  2. What is the mission/vision of ##### ?
    - a. Where do you see ##### over 5 years?
    - b. What does ##### aim to achieve?
  3. Can you explain the business model of ##### (how do you make money?)
  4. How is ##### differentiated?
  5. Strengths & weaknesses ##### (eliminate weaknesses)
  6. Target group of ##### (has it changed?)
- Company Portfolio/ Supply chain

1. What are the products sold by ##### and why these products?
2. Describe your supply chain for these products:

### Design and production of the products

---

1. Manufacturing & design of the products (how, where and why)
2. **Level of involvement** in design, production or selection of collection by **consumer**.

#### **The in-house products: (private label)**

- a. Designed and produced by who and why?
- b. Selection of suppliers

### The imported products:

1. ## of the imported Labels are originated in the Netherlands? Why is this and why are there no products imported from outside of Europe?
2. Is ##### involved in the design & production of the products?
3. Do you know where the products are design and manufactured?
4. Supplier selection (how, why and checked regularly?)
5. Why/when would ##### switch suppliers?

### Sale of the products

---

1. Are you products sold outside the Netherlands?
  - a. Differences between countries (consumers, government/legal restrictions, competitors)
2. Is questioned by the consumers, where and how the products are manufactured and designed?
  - a. What is questioned?

#### ■ Sustainability

### Sustainability

---

1. What is sustainability (ecological and social) in your opinion?
2. What is a sustainable company in your opinion? (grading)
  - a. #####
  - b. Suppliers (best & worst)
3. Sustainability enforcements by ##### on the suppliers
  - a. Do you have any?
  - b. Are they and how are they checked and how often? And why or why not!
4. Is sustainability important? (Try to identify if it is based on own morals feelings or based on a business perspective)
5. What are your experiences with sustainable practices?
6. What are your experiences with unsustainable practices<sup>3</sup>?
7. To what extent do you think you are responsible for the supply chain?

---

<sup>3</sup> On 24 April 2013, *Rana Plaza*, an eight-story commercial building, collapsed in Savar, a sub-district in the Greater Dhaka Area, the capital of Bangladesh. The search for the dead ended on 13 May with the death toll of 1,129. Approximately 2,515 injured people were rescued from the building alive

- a. For every step /practice in your supply chain, for the practices of your direct suppliers or just your own practices and why?
8. What should be done in your opinion to create sustainable supply chains and where do you see the part of companies like #####?

### Non-governmental organizations

- 
1. Do you know any NGO's regarding sustainability, and what are your experiences with these NGO's?
    - a. Often & in what situations?
    - b. Examples
  2. Sustainability certificates
  3. The fair wear foundation, work with eight norms:
    1. Employment is freely chosen
    2. There is no discrimination in employment
    3. No exploitation of child labor
    4. Freedom of association and the right to collective bargaining
    5. Payment of living wage
    6. No excessive working hours
    7. Safe and healthy working conditions
    8. Legally binding employment relationship
  2. What is your opinion about these norms?

##### And their sustainability strategy

- 
1. Action ##### regarding sustainability ##### and supply chain and why & when (examples)?
  2. Future directions regarding supply chain responsibility (actions) and why & when (examples)?
  3. Actions of suppliers regarding sustainability (examples)
    - a. Why & when
    - b. What was the part of #####/ can ##### play a part in this?

### Round up questions:

- 
4. If the company was not very aware of sustainability/NGO's/ certificates

- a. After this interview, have you become more aware of your part in the sustainability of the supply chain?
  - b. Are you motivated to use the information of NGO's for the selection of your suppliers?
5. To sum up:
- a. What are the main reasons for ##### to adopt sustainable supply chain management?
  - b. What are the main reasons for ##### not to adopt sustainable supply chain management?
  - c. What are the main steps that should be taken and what should change in your opinion to create a sustainable supply chain?
    - i. Who is should take these steps/create these changes and why?

## Appendix 2-Company summaries

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### ■ Company 1:

#### **Founding:**

The company has been founded six years ago; the founder was searching the web for a dress and couldn't find a good dress. After she finished her masters in communication and already had another company in text and communication, but this was not completely what she wanted and therefore she decided to start a webshop for dresses. She founded the company alone with some help from an intern of her other company, after the founding she hired a part time assistant to pack and send the orders.

#### **The company & customers**

The company has just one office in Tilburg, due to efficiency. The goal of the company is to provide woman at each moment of the day with the possibility to have affordable dresses and accessories for different occasions. The target group of the company are woman over thirty that are quality focused this is slowly expanding to woman over 50.

The main fear of the company is that the future generation might not be quality focused but more quantity focused.

The main customers are from the Netherlands and others are from Belgium, the difference between the customers of these companies is that Belgium customers are more traditional and even more quality minded than Dutch customers and therefore

more eager to pay more for quality. Besides the preferences there aren't any other differences like governmental laws etc. and both types of customers do not consider sustainability to be important in their purchase decision.

### **Business model:**

The business of the company is that they buy collections from different brands and sell these through the webshop and since recently they have launched their own clothing-line which is giving them their highest profits, still the well known brands are needed to attract new customers. The main reasons for their high profits with their own label are due the size stability and fewer parties in between, and the ability to change designs on short term to make them more preferable due to for example the weather (with out without sleeves).

The company differentiates themselves through their own collection, but mostly through their personal service, they aim to be a known face behind the webshop. Through their service they aim to become a preferred party in the mind of the consumer. This service includes that customers always talk with the same employees, using social media to create dresses that are preferred by the customers in terms of fabrics and prints and with the help of customers existing models are enhanced.

### **The supply chain:**

Of the imported brands the company does not have a clue how these are fabricated, they do sometimes question the seller about their production, but mostly the seller does not know where their products are produced. Some of the brands claim to

be very sustainable, but none of these have shown these through the use of neutral organizations.

The clothing line of their own brand is very visible, the production of the clothes is being done in a factory in Tilburg and the founder often visits the factory. The company buys their fabrics in Tilburg and most of those are made in Italy, but the company does not know from which companies these fabrics come from. But she is a bit skeptical about the country labels that are attached to the fabrics.

**Supplier selection:**

Suppliers are selected based on price and quality, the quality aspect is more important and therefore the suppliers of other brands are not selected based on lowest prices but it is a combination of price, quality, reputation (famous brand?) and service. The reputation aspect is important to attract new customers to the webshop and by service is the retour policy meant.

All brands that are in the collection of the company are founded in Europe due to the fit between what the brands offer and de customers desires. In the past the company did try to buy from a supplier in China to have a cheaper substitute for a certain type of dress, but the sizes and quality standards weren't met and the bargaining power of the company was too low to force changes in the products, therefore the company chose to stick with European suppliers.

The suppliers of the company are all originated in Europe, but this does not mean that their control or bargaining power has increased, but the larger brands

probably are producing in Asia, but do have enough bargaining power to enforce changes and therefore do these brands better fit the criteria.

The company does not change suppliers, due to if they would like to skip a season in the collection the supplier the relation has being stopped, in the relation between the companies the supplying company has the highest bargaining power it is basically comply or go. Also the suppliers try to play two parties against each other to increase their profit.

But there are also a few suppliers that approached the company, and these suppliers have a collection that is quite exclusive and that is only sold by the company and a few other parties.

### **Sustainability:**

The owner stated that the main reason for her lack of knowledge in their supply chain is due to that it is currently not an issue and therefore the owner is not well informed about topics regarding sustainability and the sellers the owner has contact with is not informed about production or sustainability issues.

The owner of the company does see the benefits of having sustainable brands in the collection, by communicating sustainable brands can enhance the preferred position in the mind of the consumer. The owner states that the target group of their company is sensitive for sustainable issues; this opinion is based on the fact of the positive responses that the clothes are being produced in Tilburg.

The reason that there are no sustainable brands in the collection is that according to the opinion of the owner that there are no sustainable “sexy” brands on the

market and having sustainable dusty brands in the collection does not attract customers in her opinion.

The owner states responsibility as acting in a responsible way for the future of your organization and your surroundings.

The owner does not find their own company really sustainable due to the lack of knowledge, but they do try to be sustainable in smaller things like sorting garbage, decrease the amount of packaging to minimum, small stocks.

The company does not have any regulations in terms of sustainability for the imported brands and neither for their private label, because fabrics are bought after they are painted etc.

In the opinion of the owner sustainability is important, but economics are the reason of existence and therefore more important. The owner explains this by putting the entrepreneur against the idealist, the idealist cannot exist, because the entrepreneur cannot influence all the parties in the supply chain and if you want to sort out the sustainability of every party in your supply chain this takes a lot of time and money.

### **Customers and sustainability:**

Customers do not question the origin of the products (land or materials), but do question about fur. The company does not sell fur, but by displaying an ad with fur caused some negative reaction from consumers.

The owner states that consumers aren't aware of sustainability issue in their purchase decisions and when accidents happen everybody has forgotten about it two

weeks after. The owner states that company's image will probably not be effected by scandals in the mind of their consumers, because the brands that are sold are being sold by many other parties in the Netherlands as well.

The owner does see the solution in the hands of the consumers, because if the consumers "boycott" certain products/actions the industry will stop making those, because the industry does what the consumer desires. The industry will not change unless there is necessity to do so.

### **Non-profit and neutral audit organizations**

The owner of the company has heard of some names, but does not have a clear vision about what these companies do and their benefits. After some explanation, the owner is open to use "rank-a-brand" in their selection of new organizations.

The owner does state that she does not ask for any certifications in terms of sustainability, and admits that if a company does not have those certificates, but gives a good "vibe" it won't influence their purchase decision.

### **Sustainability actions by the company:**

Having less stock, which means less waste and moving the production of their private label from Polen to the Netherlands. This reduced transportation of the fabrics to the factory and the transportation of the products back to the Netherlands. This move has increased their costs, but does come with the benefit of greater control over the production.

### **Future actions and predictions:**

After some information about the non-profit/ neutral audit organizations, the owner states that she will put in some effort to gather some information about these organizations and how she could use them in the selection of their suppliers.

The owner sees a role for the government in increasing the sustainability, but still the main role is for the consumer, but the government can help to give the subject some attention. To motivate the producing companies to become more sustainable, the government should not work with fines, because these will not have an effect on the larger companies, but more in the sense of grants when you are sustainable. In the opinion of the owner are the financials the way to trigger the companies. Another task of the government is to get sustainability issues noticed by the consumers; currently in the mind of the consumers is sustainability equal to expensive. And the task for sustainable companies is to show, that sustainable is not dusty.

In her opinion there is not a role for industry organizations, because the owner thinks the larger companies are controlling those.

## ■ Company 2

### **Founding:**

The company was founded in 1972 in Amsterdam; the company was founded because there was a possibility for private label productions. The owner started his company in the attic of his house, but eventually it grew to be very successful. In the beginning the company was in contact with European producer, but due to high costs the focus had moved to Asian producers. Currently the costs in China are rising, but the

company will not move to cheaper area's due to that these areas cannot produce clothing the required quality level.

### **Company & customers**

The company works in a B2B environment and is the party between the production of clothing in Asia and large clothing stores. But since the recession some stores have decided to do it themselves to increase their own profit, their customers have become their competitors. But the main differentiating point of the company is their contacts, knowledge and designs, even though some customers/competitors have decided to do it themselves, for the more technically advanced products like leather, the company is still hired by these customers/competitors to do these products. The designs of the companies are still a point that differentiates themselves from the Asian producers, the Asian producers are advanced in imitating but lack creativity for new designs. The company is not planning on becoming an competitor in retail so far, due to the lack of brand awareness of their own brand.

The company has it's own offices in Asia, these offices are run by Asian people, which improves the communication with the factories and gives the company the opportunities to have more control, because the company is located near the production facilities to check regularly the quality and quantity. The larger customers/competitors prefer low prices over quality and slowly these customers are returning due to bad experiences. But the main customer groups of the company are the smaller to medium clothing stores, these customers are located in Europe and in a few countries the company has it's own showroom at location and in the other country's the company

works with agents. The company has a few European companies that buy directly from the offices in Asia. Beside size/ quality preferences, the clients don't differ a lot between the countries, but the larger companies do have higher requirements in terms of quality, price and sustainability.

### **Business model/supply chain**

The company designs in the Netherlands, buys fabrics and materials in Asia and produces clothing in Asia for private label collections of stores. The designs are created by the company and adjusted to the wishes of the clients, afterwards it is send to the factory to create a samples until the client agrees to start production, after production the pieces are transported by boat or plane, depending on the preferences of the client.

### **Supplier selection**

Suppliers are checked regularly by the employees of the office in Asia and every season by the director, when he visits to discuss the new prices for the upcoming productions.

Previously the company selected themselves the garments necessary, nowadays the company produced 80 % of their products ready-made and just 20% is self-selected. The reason for the shift to ready made is that it saves time and therefore costs and these producers can make better deals than the company it's self due to larger amounts. The disadvantage of this way of working is that the company does not have a clear insight into from which suppliers the materials are coming from. The company does have a clear vision of who produces the complete clothes, due to constant control

of by the local people, therefore if a strange truck with their clothing would come in it will get noticed ( like if it has been produced somewhere else).

The company does not switch often of their suppliers, due to stability of the quality/continuity. The suppliers are mainly selected on price/quality , but also the trustworthiness of them and their suppliers and the work conditions.

### **Sustainability**

The larger companies give a lot of pressure to the company in terms of sustainability, the company has to comply with certain norms and organizations, other wise the company is not aloud to produce for these companies. The company beliefs to sustain a good relation with factories and it's employees by providing healthy work conditions are necessary to maintain this relation and maintain continuity, furthermore the company does not want to be associated with inhumane activities for their own self-image.

The company has not had any incidents related to sustainability issues, incidents at other companies have not pressured them to become sustainable, taking sustainable actions were purely done to protect their self-image and pressure from clients.

Besides that large clients can push the company to sustainable practices at the same time, the pressures on lowering prices could lead that some companies start producing with less sustainable practices, because a decrease in quality is not an option for them. But until now the customer base of the company is wide enough to reject these types of clients.

### **Customers & sustainability:**

The clients of the companies have specific norms that the company has to comply with, in the meantime the company thinks that the clients do not comply to these norms themselves. A step further the consumers of the product are concerned with sustainability issue and aren't currently willing to pay more for their products, but he states that the consumers will learn overtime and uses the example of fire safety. Once the consequences are know, they will learn that it is not possible to have the same quality for lower prices.

### **Sustainability Actions Company**

The company is part of the BSCI due to pressures from clients, the BCI checks the factories on sustainability and provides certificates to the clients that the company complies with the stated norms without giving specific information about the factories that could cause rivalry. The company does not have a check on the second-tier supplier.

### **Future actions & predictions**

The European union is considering that companies should put labels in the clothes in which factories the company produces are revealed, the company is against these types of norms due to rivalry. In their vision it might be more helpful if companies have to be checked by a neutral company on their sustainability, even though this will increase transparency the level of complexity of the supply chain will make it hard to get everything transparent.

The company acknowledge that due to social media and the internet the practices of companies have become more transparent and customers are starting to

be better informed, but the shift on paying a bit more for sustainable is currently the bottle neck. But currently when some sense comes to the companies and the consumers is always after something has happened, but the social media can change this.

In the future the production might return to Europe if the costs in Asia further rise and therefore the cost become comparable, they have tried to start in south European countries but currently the prices aren't comparable yet due to the relative small orders and therefore the company remains to have it's production in Asia.

### ■ Company 3

#### **Founding & company & customers:**

The company was founded in 1992 and started with buying clothes and afterwards selling them, quite a risky business. It was going there, deliver and get paid. The company has left this business and till today are their main target-group small boutiques in villages or small cities. Nowadays the company designs their own clothing and has it produced in factories like Turkey, India, China and in rare cases in Bangladesh and are currently orientating for Vietnam. The reasoning for manufacturers in these countries is based on that European manufactures are too expensive.

The product of the company is a wide range of female clothing in tone-down clothing; the consumers of these clothes mainly differ in types of colors, prints and sizes. And the products are located the middle of price segments of clothing, in this range the company is located in the bottom.

The company uses mainly natural fabrics, but these materials aren't necessarily more eco-friendly these are chosen based on their looks.

The company just has one office and one store in the Netherlands, the reason for just one store is that they experienced it is hard to have a store with only one brands and the lack of capabilities to pursue this. The store is used as an example for their clients. They try to make the store in to an experience, by using lifestyle items.

In the other countries the company has agents with their own showroom on location with multiple brands. The agents meet these clients in their store or at clothing grants. The company also stops by the clients a few times a year for relation building. These agents are also used to provide insights into the trends and preferences of the consumers.

The aim of the company is fun and profits; it's al about making fun and earn money at the same time.

Since recently the company has started their own website, but it will take another 6 months until it is complete and running.

### **Suppliers:**

The company has around 15 producers and in some countries, the company works with an agent to increase communications. The company visits these producers together with the agent to agree on price, materials etc. The main difficulty is that the supplier first has to make samples and aren't sure if they will get an order, therefore it is hard to find willing suppliers to take that risk.

The company sometimes switches suppliers due to developments or disappointments in service or quality. Every year they lose some and win some, they do not have a consistent group to work with, but aim to get a strong relation and therefore they have contact every season.

Suppliers are based on their capabilities, quality and prices

### **Sustainability**

The company has a code of conduct that is used to select their suppliers, this includes environmental and social issues. And since recently the company has decided to work with external parties to make an audit about the factories based on these principles and norms (ex. ISO). Currently they are not part of an organization like this, but the company has doubt about the checks done by the agents and by using another neutral party does not increase cost and therefore it is a logical choice. But in his opinion to be sustainable a constant supervision of the practices is needed, but a constant check is in their opinion impossible it is just too expensive. They believe by working with these parties and let them check the factories regularly is currently the maximum in their power to do and they are skeptical about the how neutral these types of companies are, because these companies are also about making money. The only way to be sure is to be there and see it for your self, which is "impossible".

The company does not see a large role for the government to increase the sustainability, besides forbidding products characteristics like materials etc. that can be measured. But this is out of the hands of the Dutch government and should be decided by the E.U. and therefore the governmental part is minimal. The plans of the E.U. to

increase visibility are in their opinion, not a good point due to rivalry. A better substitute would be to have neutral parties in each country to do these audits to certify these practices, it would also bring benefits to the company, because it decrease their own part of control and therefore it is worth some money.

### **Customers & sustainability**

In the opinion of the company the party that can have largest influence on sustainability are the consumers, they decide what they buy, if certain products are boycotted than it won't be produced anymore (example fur coats or angora). And another role is for the non-profit organizations (wakker-dier etc.) that draw attention to specific causes. That angora is being boycotted is in his opinion a positive development and would like to see more of these types of development towards sustainability.

Currently the consumers do not ask any questions regarding sustainability except for products related to Angora, due to recent incidents with the fabric.

### **Future actions & predictions**

Future actions of the company lie in new technologies en developments, finding more sustainable cotton or a substitute would be something that would make the company more sustainable. But he adds that it will only be adopted, if the consumer wants it.

The company predicts that consumers will become more sustainable aware, based on the developments that have been made considering awareness in the past couple of years in his opinion the sustainable clothing already lost it's dusty image.

## ■ Company 4

### **Company & customer:**

The company first started with a stock of standardized clothing and customize it to the clients wishes, nowadays the company starts from scratch together with the client to design and produce custom-made textile. The clothing that is produced always has a sportive/casual twist to it and are made for events, company clothing etc. Based on the sketches monsters are made and when the client agrees it goes into production and is directly delivered to the client, therefore the company does not hold stocks.

The company differentiates them selves on the levels of quality and speed, this leads that their clients are larger companies who are looking for company clothing or sponsored events clothing, but also other clothing brands with an event coming up or promotional traders that lack experience in high-quality clothing. One of these clothing brands clients saw their capability and became their partner, which give them another differentiation point.

The company just has one office located in the Netherlands, and aims to produce high-quality custom made products for a wide group of customers. This means that any type of company could be a client. But during events the company has in some occasions their own stand or web-shop, where the company directly sells to the end-consumer.

The competitors of the company are other promotional traders, these companies have everything from mp3 players to pencils and do a bit in clothing, but clothing is often their breaking point and therefore the competitors are often our clients at the same time, these clients are often the first-preferred supplier of the larger companies. Since

the economic crisis these companies started to do it themselves again, but after a few failures they have come back. Another consequence for the crisis was that the clients became more focused on price and that resulted that it has become harder for the company to attract company's.

The products in the product range of the company are clothing, towels and bags.

### **Supply chain**

The design starts from scratch together with the customer, first it all starts on paper until the client is satisfied, afterward the design goes to the factory to calculate a price, the moment the clients accepts, production is started to make a sample, after the client has accepted the price the fabric goes to a supplier to dye to fabric after the fabric is moved to the next supplier to cut, make and trimming of the product, before the product is put together parts are going to another supplier to embroider a logo and than it goes back to the previous supplier to put the product together and than it is transported by boat , truck or plane.

### **Suppliers**

The production of the products are either done in China or Turkey, because European factories are lacking the skills in for example making water resistant clothing are only able to be produced in China. The owner prefers to production as close as possible, but the capabilities are missing, there are a few upcoming companies in Eastern-Europe, but these still don't have the level of quality necessary.

The company already has a long and stable relation with these suppliers, this causes for the company stability, which is quite an important factor due to the strict

deadlines (an event cannot have its products a day later) and the short production period (sponsors are mostly not known until the last few weeks). Therefore the offer of another factory has the make quite a difference to cause the company to switch, and if they switch the producer first has to produce a year with small orders without any difficulties.

The reason to either produce in China or Turkey is based on the offered price and their capabilities.

### **Sustainability**

The work conditions of the workers is important, because to produce the products skilled workers are necessary and therefore the workers need to be kept satisfied, a lot of changes in workers is bad for the continuity of quality and speed.

In the economic perspective it is important for the company to minimize their waste.

The social aspect is not something that differentiates us in the eyes of the client, the client is considered about the quality and speed of the delivery of the products.

The company is currently not part of an neutral organization that certifies the company in terms of sustainability, the company has been approached to become part of a certain organization, but hasn't taken part yet, because of the time it consumes. The company is been offered this multiple times, but is now considering it for the first time, because a client approached them that the client only wanted to work in the future with certified suppliers. Because it could have an economic effect on the company the company considers to become part of such an organizations, the company feels it's got

nothing the hide and wouldn't invest time and money in these kind of organizations just for themselves.

The owner states that the company is committed to have good social service for the continuity of the company, but examples of more sustainable cotton isn't something he beliefs in. In his opinion it might be more environment friendly, but at the same time the poor people that cannot produce this type of cotton lose their income and so far consumers aren't willing to pay more for this cotton.

Clients are welcome at the production facilities, and the fear of losing clients to their own suppliers is something that the company does not fear due to their strong and long-term relationships and the producer has a lot to lose if he does (few million versus a few tons). It did happen once at a new supplier where the company did not have so many orders yet. In their opinion loyalty should lie at both parties that the producer does not go for the quick win and that the company does not easily switch supplier.

The suppliers of the company buy the fabrics and the garments, but it should be bought by one of the suppliers selected by the company (<10), the company does not visit second-tier suppliers.

### **Future actions & predictions**

Actions company considers in terms of sustainability is to increase the total production time to use less flying as a transportation and increase the boat or truck. This has both economic and an environmental benefits. The switch towards more sustainable cotton is not something the company sees happening in the future, but does see something in boycotting certain chemicals in products and to adjust the differences

in taxes from different companies, in his opinion the government is now pushing to less sustainable countries while more sustainable countries might have higher taxes.

The company also expects an increase in clients asking for certificates relating to sustainability, but the company has a lot of clients that just work with them once a year.

The companies does not think the Dutch government has a large role in sustainability, in his opinion this role is for the governments in those companies, the companies and foremost the consumers.

■ Company 5:

**Company & customers:**

The company has been founded years ago en currently the second generation is in charge of the company. The founder had four children and three of them are in the company, one is in charge of the design and product and the other two are in charge of the wholesaler.

The company is build out of two parts, partly retail and partly wholesaling.

The company designs and produces their products at a couple factory where they rent production capacity, these products are partly sold in their own stores and partly sold through the wholesale to other retailers. These retailers are boutiques in the middle to higher segments and the high-class department stores. The retail store of the company are recently founded, and the company aims to get the products themselves directly to the consumers, the benefits of their own stores are the extra profits and have

a better insight into preferences and trends. The first store has been a great success and the company might expand further to other locations.

The company produces shoes, bags and accessories for females, their main products are pumps and the bags and accessories are made to make the look complete. The products of the company are positioned in middle of the market price segments, and therefore the products are differentiated on quality instead of price.

The consumers of the products of the company can be distinguished by country in preferences and sizes.

### **Suppliers**

The suppliers of the company are located in Italy, at location the company has their own people to control and build these relations. The woman at location is originated from this area and has a strong network of good contacts and also knows all the backdoors of these factories, which increases the visibility of practices by the suppliers and therefore the company does not switch of suppliers also for their main material leather the company has one stable supplier. Each factory is responsible for different aspects of the products (parts of the shoes) and in three or 4 factory's the complete products are assembled.

Previously the production of the company was located in China, which came with several disadvantages like you have to have large orders to be produced, which results in large stocks. Another disadvantage is the large lead-time due to transportation, which decreased 6-8 weeks when moving to Italy, a follow-up order can be executed within 14

days, also the ability to create custom made shoes has added to the possibility when producing in Italy

The trustworthiness of the factories in China were less and therefore an threat to their continuity and the main reason was the increase of costs in China which made the cost differences between the country lower and therefore the decision to go to Italy was easy.

Made in Italy has a certain quality level in the mind of the consumers and are therefore are shoes from Italy more preferable than shoes made in China. Producing a product in Italy is one of the points the company distinguishes themselves from others.

The clients of the company have the possibility to visit the production areas of the company, due to the good relations and the agreements with their producers the company is not afraid for quick wins from the suppliers-sides.

### **Sustainability**

Customers and consumers of the company are currently not concerned with sustainability issues of the company/products; the company hasn't had any questions so far regarding sustainability issues. The company did hear that recently one of their clients break the relation with other suppliers due to chemicals that were used in production of the shoes, this has caused that the company is giving extra attention to the used chemicals and materials in production. He adds that the leather supplier is one of the most reputable leather suppliers in Italy.

The company does not treat/color the leather themselves and therefore the company has certain norms that the materials are being checked on.

The move from production of China to Italy had nothing to do with sustainability issues.

The company has not been involved in any incident and so far no incidents have had an impact on the company or their products.

Because the company produces within Europe, the production and working conditions are already under laws and norms of the European union and therefore the company is “sustainable” regarding the laws and norms of the European union.

### **Non-profit/ neutral audit organizations**

The company has not been in contact with any of these types of organizations the reasoning behind this in their opinion is that sustainability is currently starting to be an issue in the clothing industry due to incidents like Bangladesh, but there are currently no issues regarding sustainability towards shoes and therefore none of the clients or consumers have requested any thing regarding certain certificates.

### **Future actions & predictions**

The company sees not many actions towards sustainability in the near future, moving production to the Netherlands to save on transportation cost is not doable, because the needed skills for production aren't present in the Netherlands or Belgium.

The company does for see a growth in the request regarding sustainability issues, but so far non of their competitors are certified.

The company is a little company with relative small orders and therefore do not have enough bargaining power to make large changes in the way of producing, this lies in their opinion in the hands of larger brands that are also producing at their factories.

## ■ Company 6

### **Company and customers**

The company today had along their history many different names and were part of a fashion label group, but all the other labels were sold at certain moment and therefore the label continued to be on its own. But the different owners and names did not affect their business, the company always had their own mission, vision and strategy. The company produces outdoor clothing for woman with characteristic, timeless designs that are comfortable and high quality and made with respect.

Compared to other competitors the company is driven by design and therefore do not follow all trends and stay true to their own look. The target group for the clothing are woman who are “40 forever” , but most clients are actually much older. This group is sensitive for high quality products that last multiple seasons and therefore the company is more focused on quality than on prices. Another differentiation point beside quality is the speed of the process from the designs to the moment the products are available in store.

The company has just one office and is not active in retail, their direct clients are spread across Europe with a few exceptions in America & Canada, the clients are department stores and boutiques positioned in the middle class. The clients differ across the companies in terms of preferences regarding product characteristics.

### **Suppliers and production**

The company has 4 suppliers, of which with two of these the company has been working with for a long time. In their opinion it is important to have long-term relations

with the suppliers for their continuity and stability of the quality, they want their collection to have the same level of quality each season and this can only be achieved when you are constant with your suppliers. Sometimes the company goes to other suppliers to check the price/quality ratio and if the company needs new capabilities that aren't offered by their current suppliers.

At the products coming from second-tier suppliers are chosen by the company themselves, the company is in contact with their second-tier supplier, but does not visit their production facilities, the products coming from those suppliers are measured on certain norms (example toxics)

The suppliers of the company are located in China or Korea and in some occasions the productions are done in Europe, the choice is depends on where the fabrics are coming from. But most production is still done in Asia due to quality standards and order sizes.

### **Sustainability**

Sustainability in terms of products is that a product should be able to be used longer than one season and sustainability in terms of production is that the people involved in the process should have fun being in the process and earn enough in the meantime that is at least equal to the minimum norms.

The company is part of a industry organizations that keeps them informed about the newest developments regarding sustainability and the company tries where possible to integrate these developments.

### **Customers & sustainability**

Consumers aren't currently deeply concerned about sustainability issues, only fur is a hot topic. The company uses fur for their coats, but these are always in three types with fur, fake fur or no fur at all. The company only buys for example fur from Finnish raccoons, because the animals are better treated. Currently the prices of this fur is sky-high, much more expensive than was calculated beforehand. Even though the increase in price the company calculates it loss and sticks with the fur from Finland, because consumers request these types of fur and for their own name and "feeling".

Beside fur related questions the company hasn't had any questions regarding other sustainability issues from their clients or consumers.

The solution to create a sustainable supply-chain does lie in the hands of the consumers; the consumers should come to the realization that the current price some pay for products is too low for it to be done in a responsible way. The company does not believe in a role for the government, but sees more a role for industry organizations, where these organizations have a hand. But to be part of these types of organizations is already a cost and not everybody is willing to pay for it.

Visibility is important, but in the opinion of the company this shouldn't be created through giving everyone access to their suppliers, in their opinion this won't be used by consumers, but might be used by their competitors.

### **Non-profit/ neutral audit organizations**

While being in the brand-group the company has done an extensive survey of all of their factories, currently the company isn't part of the fair wear foundation, but still checks their factories on these norms and the factories have to sign that they comply

with these norms. These checks happen when their people visit the factories, this happens twice a year when new arrangements are made for the upcoming season productions.

Because the company has been part of the fair wear foundation, the company has a lot of knowledge regarding sustainability. Currently the company is not an official member, due to high cost it brings to be a member.

The company has experienced a development in China, the work conditions and the general prosperity in China has increased, therefore the costs have increased.

### **Sustainability actions-company**

Besides working by the norms of fair wear foundation, the company switched the filling of the coats to a more sustainable substitute and the company's fur policy. The company does believe there are still many steps ahead, but is already quite pleased with their current activities.

## ■ **Company 7**

### **Founding**

The company was founded in 1983, to create fair clothing for women around the age of 50-55 years old. The company started as a wholesale company.

### **Company and customers**

In 2002 the company further expanded to retail and currently the company has expanded to 24 brand stores. Customers between customers are quite similar, except that German clients are more focused on REACH.

### **Supplier & selection**

The basis for the selection of suppliers is mostly the quality, fitting, price, know-how and other standards, which remain important for the company such as sustainability. The quality of the product is very important to the company; it is one of their landmarks besides fitting. Building long-term relationships allows the company to cooperate with the supplier and improve production processes. The firm has suppliers with which it works for about 20 years, as well as for 4-5 years. The production has moved from Poland, Tunisia and other more closely countries to China. However, it is changing again, and more and more production moves back to Europe.” The company cooperates with around 40 suppliers in Turkey, Tunisia, Macedonia, Portugal, Italy, Bulgaria, China and India. Mostly Bulgaria, and only for a small part in China. Every season the company visits the productions location of their suppliers and we have about 10 people from the production department who have daily contact with our suppliers.

“The size/share of our company within that supplier decides our influence. And if you have more influence, it is a lot easier to cooperate and discuss with a supplier in order to improve for example the production process, but if you, as a company, are much smaller it might be more difficult as the supplier is not directly willing to change everything for you, as everything will change for all its other clients as well. In China you will find a lot of large factories, so our influence is limited. In Italy and Portugal we work with much smaller factories so we can exert more influence.”

The company Works with readymade garments as well as CMT (cut, make, trim). For CMT the company sources for their own supplies such as buttons. With ready made

the supplier takes care for its supplies needed. The company tries to influence this by offering the supplier a list; these (second) suppliers are visited for quality reasons.

### **Sustainability**

The founder of the company has always had affinity with 'sustainability', hence the brand expresses that fashion has to be beautiful from the outside, as well as from the inside. "Sustainability is in our DNA."

### **Customers/consumers & sustainability**

The company does receive some questions from consumers regarding sustainability (REACH). From a questionnaire the company concluded that currently people are becoming more aware and that the group around the age of 20 feels more responsible towards sustainability issue than any other group. Although, it might become more and more important for the consumer as well, it does not reflect the buying behavior at this moment. The company believes consumers can become more aware if the government sets a better example regarding sustainability. Neither the wholesale clients put a large pressure on the company, probably due to their sustainability image. "I think our clients assume that we work sustainable as we are doing this for years already, but on the other side I also believe price/quality remains the most important aspect." Besides the REACH list, the company does not face any pressures from the government as the owner was concerned with the sustainability part

from the beginning onwards. Company also mentions that, from a governmental viewpoint, it becomes more and more important to incorporate the social part in the annual year report. Nonetheless, this is not the reason why the company takes sustainability into account.

### **Non-profit / neutral audit organizations**

The company joined the Fair Wear Foundation in 2004 because it became necessary to also check the working conditions in areas such as China and The Middle East. The fair wear foundation provides tools for supplier selection and screens suppliers on different requirements once every three years. The fair wear foundation is focused on the social aspect of sustainability; therefore the company has good results on the social aspect, but lacks in the environmental aspect. But the company does not deny it might be working with other organizations in the nearby future as well to increase environmental. An example might be Made-By. However, the interviewee also addresses that the company has been a member of Max Havelaar in the past, and set up a fully sustainable cotton t-shirt collection.

The company believes in the power of employer associations and gives an example of one of the plans of their employer association. This plan implies a cooperation between circa 20 stakeholders that determine the main issues within the textile industry and seek for solutions. Their plan of action can be found online. "They state it is not only about triggering consumers to become more conscious of the sustainability issues, but it's also about changing the production process itself. Basically

we have to trigger producers to produce in a more sustainable way. Also the government needs to take its responsibility by giving regulations... although not everyone agrees.”

### **Sustainability actions**

To improve situations, we actually cooperate with suppliers for 10 years already. Because the company is a member of the Fair Wear Foundation we need to be transparent about where our production takes place. A stumbling block might be that a supplier is not willing to give insight in this process. In that case, we need to convince them to cooperate (At FWF suppliers do not have to be fully sustainable from the beginning). If they are still not willing, we need to convince the people within the organization that it might be better to switch to another supplier. I believe that our production team is concerned with the sustainability part as well and takes this into account when sourcing for materials.” The independent organization executes the audits in the factories and reports this to the company with a so called ‘collective action plan’. Subsequently, if there is an issue detected, the company itself (CSR Manager + Production) undertakes the next steps, in cooperation with the supplier, to improve the situation. However, the company itself tries to join audits on a regular basis, around 50% of the times. “We see this as a continual process”

It might be hard to break a good relationship for sustainability issues when the supplier delivers the best product quality. “It is remarkable that in most cases, when the quality delivered by a certain supplier is very good, they are also more willing to open up and engage. Moreover, the better the quality delivered by a supplier, the better the

working conditions are. Often, this goes together.” X explains that suppliers in for example Turkey or Tunisia do have more permanent employees/teams than in for example China. The people are more loyal towards each other, while in China people change factories more easily due to higher wages. “I think that has to do something with culture.”

The company is always searching for more sustainable ways to produce and uses their employer association to maintain informed, but quality remains more important than sustainability. Also the company ensures that material source and production source are located near to each other, to decrease transportation costs.

Material selection is partly based on European import standards (REACH).

### **Future actions/predictions**

In the struggle for survival, the fittest win out at the expense of their rivals because they succeed in adapting themselves best to their environment. There are so many things changing in the current world. If you’re not able to keep up with these changes, you’re probably the one who will lose.”

## Appendix 3 – Sources codes

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In this appendix the sources of each of the codes are displayed.

### 1. Characteristics context company

What type of supplier the interviewed company is important to define the context the company is embedded in and if this has an effect on the actions that a company takes regarding sustainability and is there a difference in isomorphic pressures that have an influence on the sustainability aspect?

#### *a. Type of company:*

- i. First-tier (retailer)
- ii. Second-tier (wholesaler)
- iii. Both (retailer & wholesaler)

#### *b. Characteristics first-supplier-interviewed company*

- i. Length relationship  
(source Lim & Tsutsui, 2012)
- ii. Material selection  
(source based on data)
- iii. Production employees  
(source based on data)
- iv. Control supplier  
(source Ayuso et. Al. 2013)

c. *Relation second-tier supplier-interviewed company*

(source de Brito et. Al. 2008, Caniato, Caridi, Crippa & Moretto, 2012)

The type of relation the company has with their suppliers needs to be defined to see whether there is a relation between characteristics and the level of supply chain sustainability and if there is a distinction between the characteristics of the first and second-tier supplier.

d. *Production location* (de Brito et. Al. 2008)

i. Asia

(source: based on data)

ii. Europe

(source: based on data)

To see if there is a relation between the production location and the extent to which a company is involved in the creation of a sustainable supply chain.

## **2. Supply chain responsibility**

What is supply chain responsibility what does it consist of? This needs to be known in order to make a distinction between the companies and their level of sustainability.

a. *Types of sustainability*

i. Environmental

(source: triple bottom line ; Govindan et al. 2013; Dai & Blackhurst, 2011, Aguilera-Caracuel & Ortiz-de-Mandojana, 2013)

ii. Social

(source: triple bottom line ; Govindan et al. 2013; Dai & Blackhurst, 2011; Russo & Perrini, 2010)

Based on literature sustainability practices can be divided in two types, either environmental or social. Do organizations make this distinction and is one more important regarding supply chain sustainability?

b. *Level of supply chain sustainability*

i. Knowledge

ii. Actions

c. *Supplier selection* (source: Wu et. Al. 2013; Govindan et. Al. 2013)

i. Environmental

(source: triple bottom line ; Govindan et al. 2013; Dai & Blackhurst, 2011, Aguilera-Caracuel & Ortiz-de-Mandojana, 2013)

ii. Price

(source: triple bottom line; Govindan et al. 2013; Dai & Blackhurst, 2011, Roxas &Coetzer, 2012,; Brito et. Al., 2008)

iii. Quality

(source: triple bottom line; Govindan et al. 2013; Dai & Blackhurst, 2011; Brito et. Al., 2008)

iv. Social

(source: triple bottom line ; Govidan et al. 2013; Dai & Blackhurst, 2011; Russo & Perrini, 2010)

v. Trust

(source: Morrissey & Pittaway, 2006)

How companies select their suppliers is important to know, to see into what extent sustainability plays a part in this process and to see if there is a relation between the level of supply chain sustainability and their supplier selection.

d. *Non-governmental organizations* (Campbell, 2007)

i. Employer association

(Source: Campbell, 2007)

ii. External audit organization

(Source: Ciliberti, Pontradolfo & Scozzi 2008; Ayuso et. Al. 2013)

iii. Charity

(Source: based on data)

To what extent are companies involved with non-governmental organizations in sustainability and does this have a relation to the level of sustainability?

3. **Isomorphic pressures** (Powell & Dimaggio, 1983)

What are isomorphic pressures? Isomorphic pressures can be divided in coercive, normative and mimetic (Powell & Dimaggio, 1983), what are the isomorphic pressures that a company deals with and which are the ones that can have an influence on the process of creating a sustainable supply chain?

*a. Institutional*

i. Scandals & Charity

(Source Campbell, 2007; Ayuso et. Al. 2013)

ii. Consumers

(Source Campbell, 2007; Lim & Tsutsui, 2012, Ciliberti, Pontradolfo & Scozzi, 2008, Brito et. Al. 2008)

iii. Governmental

(Source Campbell, 2007; Lim & Tsutsui, 2012, Pedersen et al., 2013; Matten & Moon, 2008)

*b. Individual level*

i. Board of directors

(Source Matten & Moon, 2008; Powell & Dimaggio, 1983; Aguinis & Glavas, 2012, Campbell, 2007; Baden et. Al., 2009)

*c. Market/organizational*

ii. Supply chain partners

(Source Baden, Harwood, 2009; Ciliberti, Baden & Harwood, 2009; Ayuso, Roca and Colomé 2013, Ayuso et al. 2013)

## Appendix 4 – literature vs data

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In literature (Powell & Dimaggio 1983; Hsu et al., 2013; Campbell, 2007; Lim & Tsutsui, 2012; Servayre & Said 2010; Pedersen et. al, 2013; Ciliberti et al, 2009; Baden et al, 2009; Matten and Moon, 2008; Ayuso et al, 2013 and Morrissey and Pittaway, 2006) a lot has been discussed about the barriers and the drivers for small medium enterprises to adopt supply chain responsibility management. Based on literature the companies are expected to have dealt with the following influential factors that can either be drivers or barriers or both to adopt supply chain responsibility there are pressures coming from supply chain partners (driver & barrier), lack of knowledge and resources (financial, technological, human) (barrier), Governmental regulations (driver), Lower visibility/vulnerability compared to MNEs (barrier), Pressures coming from consumers (driver & barrier), Organizational benefits (cost reduction, operational efficiencies, enhanced customer value) (driver), Competitive level market (driver & barrier), Non-governmental organizations (drivers), Personal beliefs and values director (driver) and Bargaining power (barrier). The pressures of the literature and the data are similar, but there are two exceptions. In the data a negative effect of government pressures was mentioned. The companies in the data did not experience the competitive market levels pressures.

In the literature there are different relations discovered about sustainable suppliers and their relation with their suppliers. The SCR companies tend to have a

larger bargaining (Morrissey & Pittaway, 2006) of their suppliers than non-sustainable partners, also relations with their suppliers tend to be longer closer to exert greater control over quality issue. The longer relationships increase the bargaining power over the supplier (Ciliberti et. Al. 2008). In the data can be seen that companies who are in the active supply chain management and sustainable (certified) practices have relatively a longer relationship with their suppliers (+/- 15 years; appendix three). Also the second characteristic of a higher bargaining power is seen in the data, this is created through loyalty of both sides.

Lastly the literature states that stronger pressures are coming from large supply chain partners, while no pressures are coming from consumers (De Brito et al. 2008). Also in the data this pattern was found, but slowly sustainability related questions are coming in terms of fur related questions.