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The indirect effect of social responsibility standards on organizational performance in apparel supply chains: A developing country perspective

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Keywords

Supplier social responsibility standards, Organizational performance, Organizational citizenship behavior, Empirical research, Developing country, Apparel supply chain

Disciplines

Family, Life Course, and Society | International Business | Operations and Supply Chain Management | Organizational Behavior and Theory | Sociology of Culture

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1. Introduction

Firms are becoming increasingly engaged in addressing social responsibility issues in their supply chains. For some, it is a matter of regulatory compliance, while for others, it is a means to obtain a competitive advantage (Castka and Balzarova, 2008). Social responsibility based supply chain advantage is considered as a strong predictor of export performance than quality and innovation based differentiation.

Extant research on sustainable supply chain management has investigated the direct association between social responsibility practices and various measures of organizational performance (Arendt and Brettel, 2010, Mishra and Suar, 2010, Pullman et al., 2009, Orlitzky, 2001, Huq et al., 2014, Zhu et al., 2016, Mani et al., 2018, Carter et al., 2000). This relationship is mostly treated as a “black box” by research models and the findings regarding the association between social responsibility initiatives and firm performance are inconsistent (Doh et al., 2010, Barnett and Salomon, 2006, Lev et al., 2010, Mishra and Suar, 2010, Goyal et al., 2013, Valmohammadi, 2014). The direct relationship between social responsibility practices and various measures of organizational performance is positive in some studies (Carter and Jennings, 2002, Mishra and Suar, 2010, Valmohammadi, 2014, Torugsa et al., 2012, Hammann et al., 2009, Jin and Drozdenko, 2010) and insignificant and lacking in others (Pullman et al., 2009, Aras et al., 2010, Lin et al., 2009, Choi et al., 2010, Payne et al., 2011, Barnett and Salomon, 2006, Moore, 2001).

Few scholars have sought to examine mediation effects in the association between a firm’s social responsibility practices and measures of organizational performance (Chun et al., 2013, Bernal-Conesa et al., 2016, Reverte et al., 2016, Saeidi et al., 2015, Surroca et al., 2010). However, mixed and inconsistent findings of these studies indicate that the effort to identify mediators is not conclusive¹. Accordingly, the understanding of how social responsibility practices translate into firm performance is limited. Thus, scholars have suggested that there is a need for research to investigate the mediators that explain the underlying mechanisms in the social responsibility practices and firm performance relationship (Aguinis and Glavas, 2012, Sartor et al., 2016, Zorzini et al., 2015). This paper proposes and empirically investigates one possible mechanism.

In this study, socially responsible behavior is measured based on the adoption of social responsibility standards by suppliers of international brands (Castka and Balzarova, 2008, Jiang, 2009). This study uses social exchange theory (SET) to propose that organizational citizenship behavior (OCB) is a possible mechanism through which a supplier’s adoption of a social responsibility standard leads to better firm performance of the supplier (Aguinis and Glavas, 2012, Blau, 1964). SET, which is commonly applied in the literature (Yee et al., 2015, Yee et al., 2008, Esper et al., 2015, Quarshie et al., 2016, Morrow et al., 2011), is useful here because it explains that when one party, say management, does an act of goodwill to another, say, employees, the latter may reward in future as a return (Blau, 1964). OCB is described as a discretionary behavior that in the aggregate promotes the effective functioning of the organization (Podsakoff et al., 2000, Organ, 1988). Social responsibility standards primarily seek to develop employee-friendly systems and policies that, as SET indicates, may induce positive and prosocial behavior of employees for the organization (Yee et al., 2008, Surroca et al., 2010). Such behavior of employees, who are close to the work and the customer, can make the organizational functioning more efficient and effective (Yoon and Suh, 2003, Dunlop and Lee, 2004, Yee et al., 2008). Thus, this study drawing on SET contends that when organizations adopt social responsibility standards, employees reciprocate by showing productive and prosocial behaviors (i.e., OCB) that result in improved firm performance.

The particularly salient context of the apparel supply chain in a developing country, i.e., Pakistan, is used for the empirical examination of the proposed relationships. Social responsibility has been developed mainly in developed countries and has been slow to be adopted by suppliers in developing countries (Gereffi and Lee, 2012). The apparel manufacturing supply chain in the developing countries is often highlighted in the press for social compliance issues (Stigzelius and Mark-Herbert, 2009). Further, searching the relevant literature on social responsibility shows that most empirical social responsibility research is done in developed countries (Kolk and van Tulder, 2010). This lack of empirical research regarding the supply chain operations in the developing countries is interesting given how important suppliers in the developing countries are for the global apparel supply chain (Gereffi and Lee, 2012).

The key contribution of this paper is that it theorizes and empirically examines a possible mediating role of OCB in social responsibility and firm performance relationship in a developing country based supply chains. The examination of the mediation effect is an important contribution because though it is an important area, little attention has been given to it (Aguinis and Glavas, 2012, Sartor et al., 2016, Zorzini et al., 2015). In doing so, building on and extending the conversation by scholars such as Zhu et al. (2016), Reverte et al. (2016), Torugsa et al. (2012), Mishra and Suar (2010), Pullman et al. (2009), and Carter and Jennings (2002), this study specifically tests whether a supplier's implementation of social responsibility standards enhances OCB and whether social responsibility based OCB affect the supplier's firm performance. By investigating this relationship, this study provides a process explanation model as well as rich insights into how supplier social responsibility practices influence the supplier's firm performance (Aguinis and Glavas, 2012). This study uses a sample from a developing country which is a part of the global apparel supply chain (Gereffi and Lee, 2012).

The remainder of the paper is organized as follows. The next section provides a theoretical background followed by hypotheses development. Section 3 describes the research methodology. Section 4 presents the analysis and results. Finally, the theoretical and managerial implications of the findings are discussed in section 5, and the paper concludes with limitations and future research directions in section 6.

2. Theoretical Background and Hypotheses

2.1 Conceptual background

2.1.1 Social responsibility standards

Multinational companies buying goods from developing countries typically require their suppliers to comply with the policies and practices that reflect the corporate culture, social values, and strategic imperatives of the buyer. To address social compliance requirements, buyers and suppliers seek means for systematic implementation of social compliance in suppliers' facilities (Stigzelius and Mark-Herbert, 2009). Exporting companies in developing countries seek to demonstrate their social compliance in various ways such as by adoption of international social responsibility standards, implementation of a buyer-specific code of conduct, and satisfactory regulatory audits by local governments (Castka and Balzarova, 2008, Ciliberti et al., 2009, Jiang, 2009). International standards and programs on social responsibility, including SA 8000, ISO 26000, and the BSCI Code offer a detailed assessment of the extent of implementation of social responsibility practices (Castka and Balzarova, 2008, Stigzelius and Mark-Herbert, 2009). These standards address issues such as child labor, forced labor, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, compensation, and management systems and also layout guidelines for implementation of socially responsible practices (SAI, 2008, Hahn, 2013). These international standards (SA 8000, ISO 26000, and BSCI Code) are called public standards in this study as any company can use these standards to demonstrate social compliance.

In comparison, the buyer-specific code of conduct is for only those companies which supply to a particular buyer. Multinational companies sourcing from developing countries usually require their suppliers to follow a specific code of conduct (Perry and Towers, 2013). Walmart, for instance, has developed 'Standards for Suppliers' (Walmart, 2016), and IKEA has developed a code of conduct called 'IKEA Way' (commonly known as IWAY standard) for its suppliers (IKEA, 2012). In these codes of conduct, the buyer sets the social responsibility related guidelines and requirements that suppliers must meet to initiate and maintain the contract. In this approach, the buyer itself or a third party on behalf of the buyer assesses the social compliance of the supplier using the criteria laid out in the code of conduct (Ciliberti et al., 2008). While private standards may be based on public standards and cover similar aspects, a key difference is that they are administered by the buyer. Since these codes of conduct are buyer-specific, these are referred to as private standards in this study.

Public and private standards are clearly differentiated when viewed through the lens of asset specificity (Williamson 1975). High asset-specific investments have high value in the context of a particular relationship and have less value outside the relationship. Public standards have lower asset-specificity than private standards because the former is directly valuable to multiple stakeholders, e.g., a variety of buyers and society, while the latter are implemented to meet the requirements of a specific buyer. These differences indicate that though there may exist differences in terms of the value of public versus private standards, both formats seek to achieve the same objectives, i.e., socially responsible behaviors. The current research, while sensitive to the unique identities and related differences of these standards, seeks to focus on the commonalities of the impact of the adoption of these two formats on OCB.

Finally, the potency of public and private standards can be viewed in terms of ‘intrinsic’ and ‘extrinsic’ attribution, respectively associated with these standards (Du et al., 2007). Employees view the pursuit of a public standard mainly as a means to improve the work environment through the development and implementation of policies and rules, leading to a higher intrinsic attribution to public standards (Vlachos et al., 2013). However, private standards are implemented mainly to address the business requirements of buyers. In the case of a private standard, perceptions of ‘rent-seeking intention’ overshadow the inherent performance improvement objectives of the standard (Ellen et al., 2006). Hence, extrinsic attribution to private standards is likely to be much higher in the case of private standards (Asif et al., 2019). Regardless of how these standards are perceived and attributed, they are basically targeted towards the development of social compliance management systems in an organization, although the difference in their efficacy in evoking relevant structures and policies are inevitable.

2.1.2 Organizational citizenship behavior

OCB, introduced by Organ (1988) is a discretionary behavior of employees that benefits the organization but is not formally required or rewarded. The literature often refers to OCB as “extra role” behavior, which essentially implies that OCB is not an enforceable requirement of the job description, rather the behavior is an employee choice and its omission is unaccounted (Cantor et al., 2013). Organ (1988) proposed five dimensions of OCB: altruism, conscientiousness, sportsmanship, courtesy, and civic virtue. More dimensions of OCB have also been proposed by scholars, but the behavioral domains of these dimensions partially overlap with each other and also with those of Organ (Podsakoff et al., 2000).

More recently, Organ and his colleagues have provided the definition and measurement of OCB that suits the context of developing countries (Farh et al., 2004). Their model argues that the dimensions of OCB can be classified into four groups: self, group, organization, and society. The OCB in the self domain manifests anonymously and privately, including self-training, taking initiatives, and keeping the workplace clean. The OCB in the group domain cannot be separated from peers or groups, including inter-personal harmony and helping coworkers. The OCB in the organizational domain has to be engaged with organizationally relevant attributes, including protecting and saving company resources, voicing for the organizational benefit, and participation in group activities. Finally, the OCB in the society domain pertains to participation in social welfare and promoting company image. This revised OCB model of Organ (Farh et al., 2004) is adopted in this paper because it comprehensively covers the OCB dimensions for a developing country context.

Scholars have recognized that organizational and inter-organizational level OCB must be defined and operationalized to study the effect of OCB on firm performance (Hitt et al. 2007; Podsakoff et al. 2000). Thus, a growing number of studies now use OCB at the organizational level (Podsakoff et al. 2014; Jung and Hong 2008). The use of OCB at the organizational level is in line with other studies that aggregate individual behaviors at a business unit level, e.g., employee satisfaction (Martínez-Costa et al. 2009) and employees’ performance (Ellinger et al. 2005). Similarly, scholars have also examined the role of OCB at the inter-organizational level, such as in improving the quality of relationships in collaborations. Autry et al. (2008) and Skinner et al. (2009) developed an Inter-organizational Citizenship Behavior (ICB) framework to study the application of OCB at the inter-firm level research. They found that ICB positively impacts the relationship quality and other performance measures, including market and financial

performance (Autry et al., 2008). Scholars have also explored the application of OCB at the network level, i.e., Network Citizenship Behavior, see, e.g., Braun et al. (2012). Following this line of argument, this paper uses OCB at the business unit level. The original definition of Organ (1988) and subsequent evolution of OCB discussed above (Farh *et al.* 2004) provide the basis to define OCB at the business unit level as a net behavior of a business unit's employees stemming from their use of discretion, which is not directly or explicitly recognized by the formal reward system, to drive themselves and their interaction with group, organization, and society to promote the organizational functioning.

The research on OCB has been extended to examine the implications of OCB in environmental management (Boiral, 2009, Boiral and Paillé, 2012). This research has sought to conceptualize and empirically validate OCB for the environment, i.e., OCB that contributes to a more effective environmental management and examine how employee perceptions of management practices influence employee engagement in OCB for the environment. This extension of OCB into environmental management research indicates that implications of OCB could also be extended into social responsibility research because social responsibility dimensions may have associations with behavioral aspects of organizational functioning and performance (Farooq et al., 2014, Surroca et al., 2010).

2.1.3 Social exchange theory

SET outlines rules of exchange, including reciprocity, negotiated agreements, rationality, altruism, group gain, status consistency, and competition (Cropanzano and Mitchell, 2005, Blau, 1964). However, among these rules, reciprocity has received the most attention in SET literature and management research. Reciprocity argues that in the interdependence between two or more parties, one party's action is reciprocated by the others and thereby the relationship evolves over time. Reciprocity implies that good behavior ought to be reciprocated, though all individuals do not reciprocate to the same degree (Grawe et al., 2012). Overall, reciprocity seems to be a universal norm, though individuals and organizations may follow it to a varying extent (Cropanzano and Mitchell, 2005). Scholars have commonly used SET to explain the association between organizational initiatives and outcomes of employee behavior such as OCB (Yee et al., 2015, Yee et al., 2008, Esper et al., 2015, Yoon and Suh, 2003, Quarshie et al., 2016, Morrow et al., 2011) as well as in environmental management literature (Paillé and Raineri, 2015, Paillé and Boiral, 2013, Paillé et al., 2013).

In an organizational setting, SET argues that the social relationship, which works parallel to the contractually driven economic relationship between an organization and its employees, forms, maintains, and evolves on the principle of reciprocity (Blau, 1964). The initial relationship between employee and organization is generally based on the employment contract. Over time organizational actions that are perceived to benefit and improve the wellbeing of employees may trigger positive reciprocal behavior among employees (Yee et al., 2008). Unlike contract-driven employee obligations, the form of such reciprocal behavior from employees is open-ended and unspecified (Blau, 1964). Employees feel obligated to respond to the organizational actions with reciprocal attitude and behavior thus positive organizational actions are reciprocated by goodwill and positive attitude. The positive changes in employees' attitudes lead to better work output and quality performance at the organizational level (Yee et al., 2008).

2.2 Hypotheses development

2.2.1 Standards adoption triggers OCB

Scholars have argued that management system standards may positively impact the role of employees in organizational functioning in different ways. In this regard, research on quality management system standards, i.e., ISO 9000, seeks to theorize that its implementation enhances employee motivation and engagement in strategic and operational level organizational plans (Singh, 2008). Managers in ISO 9000 certified companies need to genuinely convince employees about quality processes and ensure that the employees have the appropriate mindset and skills to adopt modern quality management practices.

Similarly, scholars have reported that implementation of ISO 9000 encourages a culture of attention to detail, helps workers organize their work better, and enhances communication among workers (Naveh and Marcus, 2004, Naveh and Erez, 2004). In doing so, ISO 9000 yields safe and pro-work behaviors of employees which bring positive changes in organizational functioning (Levine and Toffel, 2010, Naveh and Erez, 2004).

On similar lines, the literature on organizational outcomes of environmental management system standards such as ISO 14000 argues that implementation of these standards brings positive changes in the behavior of employees. For example, Perez et al. (2009) argue that the implementation of ISO 14000 enhances job performance, interpersonal behavior, and civic virtue. Similarly, scholars have demonstrated that the adoption of environmental standards is associated with an enhancement in interpersonal behaviors among employees such as regularly teaming with coworkers, showing and helping colleagues with the execution of specific tasks, sharing of workload, providing work-related consultancy and guidance to internal and external clients, and problem solving and brainstorming in groups (Delmas and Pekovic, 2013). Similarly, Paillé and his co-authors use SET to explain the association between pro-environment organizational policies and OCB for the environment among employees (Paillé and Raineri, 2015, Paillé and Mejía-Morelos, 2014, Paillé and Boiral, 2013). Drawing from SET, the authors argue that when employees feel the presence of clear and encouraging environmental policies and supported by their organization, they become more committed and are willing to engage in pro-environment behaviors (Paillé and Raineri, 2015, Paillé and Boiral, 2013, Paillé et al., 2013).

Similarly, private standards prescribe socially responsible practices that can elicit OCB, e.g., Nike's code of conduct presents these requirements in four main categories, including respect for employees, fair treatment, safety, and sustainability. Also, the H&M standard for suppliers outlines requirements regarding health and safety, child labor, worker rights, and housing conditions for employees. The requirements regarding social responsibility in these standards are indicative of the high expectations from the firm. SET indicates that such initiatives by an organization do not go unrewarded rather stimulate an exchange whereby employees, who are the principal beneficiaries of these standards, respond by displaying behaviors that are characterized as OCB. Previous studies also endorse that organization's benevolent initiatives are reciprocated by employees through gestures of goodwill. Scholars have argued and found indications that an organization's ethical climate and socially responsible practices lead to reciprocal behaviors from employees manifesting in their effort to achieve organizational goals (Mulki et al., 2008, Jones, 2010). Accordingly, one might expect that establishing or increasing social responsibility towards employees, ethical action on the part of an organization, via the adoption of private standards would send a positive signal to employees and affect their behavior or performance or both.

Implementation of social responsibility standards, analogous to other management standards such as ISO 14000 and ISO 9000, makes employee-friendly practices a systematic part of organizational functioning (Delmas and Pekovic, 2013, Levine and Toffel, 2010). A 'systematic approach' implies that social responsibility practices are addressed through organizational policies and processes (Sartor et al., 2016). These processes are repeatable and use data and information to enable learning, thereby building mechanisms for evaluation, refinement, knowledge sharing, innovation, and continuous improvement in social responsibility management (Jiang, 2009, Ciliberti et al., 2009, Castka and Balzarova, 2008). The gain in social responsibility maturity is possible only with a systematic approach inherent in the standards; ad hoc initiatives cannot generate the required structures and high levels of commitments (Boiral et al., 2017, Llach et al., 2015, Santos et al., 2018). This point is also noted by Leung (2008) who argues and finds empirical support indicating that a rule-based ethical work climate is associated with higher levels of OCB. The author's explanation of this is that "a climate emphasizing law-and-code requires individuals to consider the interests of the larger social or economic systems" (Leung, 2008 p. 51) thus promoting responsible workplace behaviors. This explanation provides support to the argument that adoption of social responsibility standards leads to enhanced OCB from employees.

Public and private standards have the same objective, yet their structure and deployment dynamics are entirely different. Also, given different asset specificity, the attitude of managers towards these standards can be quite different. For instance, a manager might perceive public social responsibility

standard as more value-adding given its acceptance by a large number of buyers. Yet, the value of a contract with a particular buyer who requires implementing private standards may lead a manager to perceive a private standard more favorably. Further, given the differences in implementation, auditing approaches, and most importantly buy-in of these programs by the employees, it is reasonable to assume that there may be subtle differences in the outcome of these standards. To develop a nuanced understanding of the behavior and outcomes of these standards, this study examines the impact of public and private standards separately, as reflected in the following hypotheses:

H₁: Adopting public social responsibility standard(s) is associated with an increase in OCB.

H₂: Adopting private social responsibility standard(s) is associated with an increase in OCB.

2.2.2 OCB impacts organizational performance

The empirical examination of the association between specifically OCB and firm performance takes roots in the work of Podsakoff and other authors (Podsakoff and MacKenzie, 1994, Podsakoff et al., 1997, Podsakoff and MacKenzie, 1997) and has continued since then (Podsakoff et al., 2018, Podsakoff et al., 2014, Podsakoff et al., 2009). Several scholars have contributed to the discussion by arguing and examining empirical support for the positive association between individual, organizational, and lately, inter-organizational citizenship behaviors and organizational performance variables (Chun et al., 2013, Koys, 2001, Sun et al., 2007, Dunlop and Lee, 2004, Gerke et al., 2017, Yoon and Suh, 2003). Studies show that OCB as an outward-looking framework is capable of eliciting positive workplace behaviors at organizational, inter-organizational, and network levels (Autry et al., 2008, Skinner et al., 2009, Braun et al., 2012, Provan et al., 2017). However, the relationship between OCB and various parameters of operational and quality performance has received conflicting empirical support (Chun et al., 2013, Koys, 2001, Yoon and Suh, 2003, Dunlop and Lee, 2004).

OCB can translate into enhanced operational performance because it “in the aggregate promotes the effective functioning of the organization” (Organ, 1988 p. 4). The improved functional outcomes resulting from OCB can stem from four main avenues: individual-level effects, group-level effects, organizational level effects, and external-stakeholders level effects (Farh et al., 2004, Gerke et al., 2017, Provan et al., 2017, Autry et al., 2008, Skinner et al., 2009). OCB shapes individual behaviors that can directly contribute to organizational performance (Podsakoff et al., 2009, Podsakoff et al., 2000). Individual-level OCB implies that an employee self-trains and keeps abreast of ongoing developments that positively influence the organizational outcomes. Since OCB is not specific to a job these individual behaviors have the potential to benefit organizational functioning and performance in a variety of work settings (Dunlop and Lee, 2004).

Scholars have argued that there are several ways through which individual OCB may enhance group-level OCB and output (Jiao et al., 2013). For example, group-level OCB in terms of employees’ positive attitudes towards a coworker, inter-personal harmony, and openness help during problem-solving and conflict management (Dunlop and Lee, 2004). Another way workers engage in OCB is by helping new employees learn both official and unofficial work methods (Sun et al., 2007). These cooperative behaviors enhance productivity by facilitating the learning of best practices and decreasing the length of the ‘learning curve’ of new employees (Podsakoff and MacKenzie, 1997, Sun et al., 2007). This could then result in the new worker being more willing to engage in OCB not only to the veteran worker(s) who trained her but also to new hires. All of this can lead to improved group performance in terms of safe and efficient handling of company resources. OCB may also serve as a coordination mechanism within and between teams that may enhance productivity and on-time delivery and reduce defect rate, warranty claims, and cost of quality (Yoon and Suh, 2003). These enhanced coordination mechanisms at the group level increase the speed of work, reduce service time, and save organizational resources required for system functioning (Dunlop and Lee, 2004).

At the organizational level, OCB, such as raising a constructive voice and protecting and saving company resources can enhance the overall effectiveness and resource efficiency (Boiral and Paillé, 2012). This collective and constructive engagement toward organizational objectives has a positive effect on

efficient utilization of assets and customer satisfaction (Koys, 2001). Dunlop and Lee (2004) report that deviant work behaviors are negatively associated with business unit performance. The authors (Dunlop and Lee, 2004) and Chun et al. (2013) also argue for the positive effect of organizational level OCB on firm performance. At the external stakeholders' level, OCB, in terms of promotion of organizational image, can help a company attract more talented employees and valuable customers. An organization's ability to attract and retain better employees helps it increase and retain organizational knowledge and capability for better customer satisfaction and cost-effectiveness (Koys, 2001). Positive OCB of employees during their interaction with the existing and potential customers may enhance the firm image and customer satisfaction (Yee et al., 2008, Provan et al., 2017). Thus, it is hypothesized:

H₃: OCB is positively related to operational performance.

H₄: OCB is positively related to quality performance.

2.2.3 Mediation

Social responsibility standards primarily seek to improve the social side of the organization by developing systems; as such these standards do not seem to have a direct effect on the operational and quality performance (Ciliberti et al., 2008). The reason for the latter is that social responsibility standards are not aimed at improving operational or quality performance (SAI, 2008, Hahn, 2013). Instead, it can be argued that social responsibility standards, similar to how other management system standards may yield changes in the behavior of employees (Naveh and Marcus, 2004, Naveh and Erez, 2004, Singh, 2008), trigger OCB which then translate into operational and quality performance. Employee friendly policies in the form of social responsibility standards act as a precursor of prosocial behavior of employees (Yee et al., 2008, Surroca et al., 2010) who being close to the task and the customer have the leverage to make the execution more efficient and effective (Yoon and Suh, 2003, Dunlop and Lee, 2004, Yee et al., 2008).

This mediating mechanism is also understandable when viewed from the lens of SET, which indicates that the adoption of social responsibility standards leads to employees engaging in OCB that in turn improves firm performance (Blau, 1964). SET's principle of reciprocity suggests that the adoption of a social responsibility standard, which sends a signal of a firm's positive action toward employees, will stimulate a positive behavior among employees (Mulki et al., 2008, Jones, 2010). The enhanced positive behavior of employees affects various facets of organizational performance, e.g., workgroup performance (Podsakoff and MacKenzie, 1997), increased productivity (Sun et al., 2007), service quality (Yee et al., 2008, Yoon and Suh, 2003, Dunlop and Lee, 2004) and overall organizational effectiveness (Koys, 2001, Sila, 2007, Chun et al., 2013).

Social identity theory supplements SET in understanding the mediation role of OCB in social standards – performance relationship (Tajfel, 1974). Social standards make employees perceive the organization as caring and benevolent (Boiral et al., 2017, Llach et al., 2015, Santos et al., 2018) that makes employees value their membership and increase their identification with the organization; employees feel pride in their membership and develop commitment and loyalty to the organization (Mulki et al., 2008, Jones, 2010). OCB is a manifestation of such attitudinal changes and leads to improved work performance (Dunlop and Lee, 2004). Further, when employees perceive organizational policies as fair, they experience reduced cognitive dissonance, ambiguity, and stress at the workplace, which allows them spending their energies and resources in creating productive workplace behaviors, i.e., OCB (Chun et al., 2013). Finally, by embodying the relevant requirements in rules and policies, social responsibility standards increase employees' perception of procedural fairness and organizational justice which underpins OCB and is found to improve quality and operational performance (Rupp et al., 2006).

Research from total quality management sheds light on how OCB can mediate the effect of social standards on firm performance. Total quality management (TQM) comprises a set of practices some of which are categorized as behavioral (e.g., employee empowerment and executives' commitment) while others as technical practices (e.g., process management, statistical process control, and information and data analysis) (Fotopoulos and Psomas, 2009). Research shows that TQM technical practices bring about performance improvement through behavioral practices, i.e., behavioral practices mediate the effect of

technical practices on performance (Cho et al., 2017). The very nature of OCB as a set of behaviors and social standards as a set of rules, procedures, and control mechanisms makes them analogous to TQM behavioral and technical practices, respectively. Since the effect of technical practices on firm performance occurs through behavioral practices a mediational effect of OCB in social standards – performance relationship is quite plausible. Thus, mirroring H₁ through H₄, a mediating role of OCB in the social responsibility standards adoption and firm performance relationship is hypothesized here.

- H_{5a}: OCB mediates the relationship between public standard(s) and operational performance.
- H_{5b}: OCB mediates the relationship between public standard(s) and quality performance.
- H_{5c}: OCB mediates the relationship between private standard(s) and operational performance.
- H_{5d}: OCB mediates the relationship between private standard(s) and quality performance.

The hypothesized relationships are graphically represented in Figure 1.

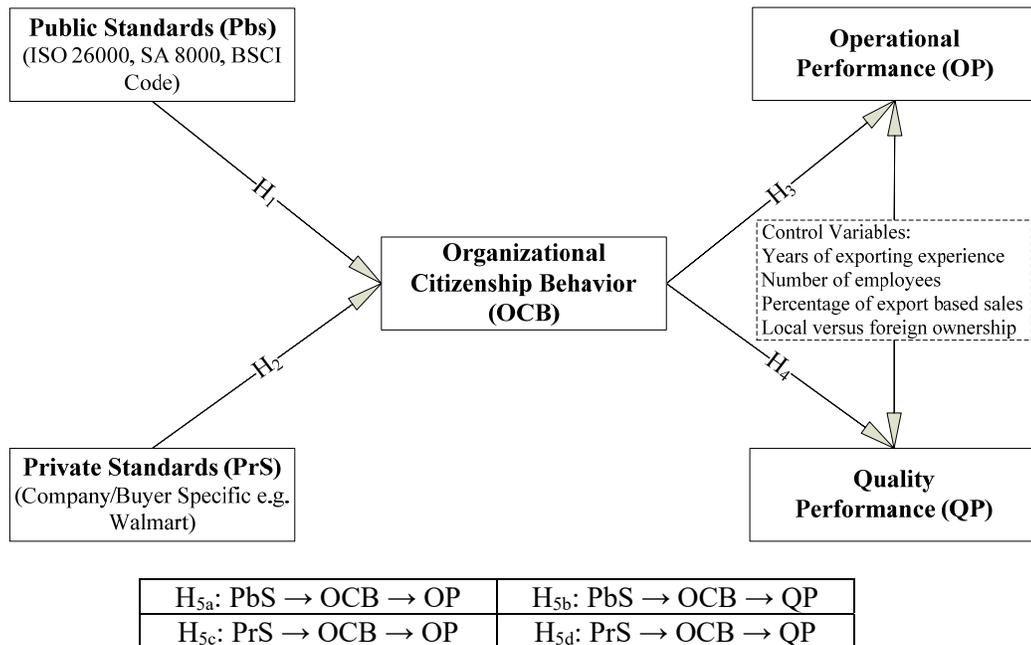


Figure 1. Hypothesized model

3. Methodology

3.1 Scale development and pre-test

A review of the literature related to the hypothesized model’s constructs, preceding and following detailed interviews with managers from the industry, aided in the questionnaire development. Montabon et al. (2018) argue that interviews with relevant, experienced, and informed individuals help ground the survey research design. The objective of the interviews was to seek a basic understanding of the social compliance practices, the scale to measure social compliance management system objectively and understand the effects of the adoption of social compliance management system on the behavior of employees and organizational performance in the apparel exporting industry (Appendix A provides a list of key interview questions). The interviewees (three social compliance managers, a factory manager, a chief executive from a manufacturing company, a chief executive and a manager from an international buying house, and three managers from compliance certification firms) were selected because of their extensive knowledge of the industry and state of social compliance practices among manufacturers and exporters of apparel products

in Pakistan. The average work experience of the interviewees in the apparel industry was eighteen years. The discussion in these interviews was semi-structured and lasted from two to three hours with each (or a pair of) interviewee(s).

The interviews, consistent with the literature, revealed that apparel manufacturing and exporting companies in Pakistan used either SA8000, ISO 26000, and the BSCI Code (i.e., public standards) or buyer-specific social compliance program (i.e., private standards) to demonstrate their social responsibility (Castka and Balzarova, 2008, Ciliberti et al., 2009, Perry and Towers, 2013). For each of these standards the extent of implementation was measured on an ordinal scale (1 = Not Applicable, 2 = Not being considered, 3 = Future Consideration, 4 = Assessing Suitability, 5 = Planning to implement, 6 = Currently Implementing, and 7 = Successfully Implemented) (Melnik et al., 2003). Subsequently, for analysis in this paper, following an approach similar to Melnyk et al. (2003) a factory was given a score of 1 on implementation of public standards if its status for all three public standards (i.e., ISO 26000, SA8000, and the BSCI Code) was at one of these stages: “Not-Applicable”, “Not Being Considered”, “Future Consideration”, or “Assessing Suitability”. Alternatively, the factory was given the score of 3 if it was at “Successfully Implemented” stage in at least one of the three public standards. In all other cases, which meant the factory was at “Planning to Implement” or “Currently Implementing” stage in at least one of the public standards but was not at “Successfully Implemented” stage in any of these standards, the factory was given the score of 2. In the same way, in the case of private standards, a factory was assigned a score of 1, 2, or 3 depending on the extent of implementation of a buyer-specific standard. In this manner, the implementation of these standards was measured on an ordinal scale.

Scholars have recognized that unit or organizational level OCB must be operationalized to study the effect of OCB on firm performance (Podsakoff et al., 2000). In the context of a developing country, the rigorous empirical work of Farh et al. (2004) provides a comprehensive set of ten OCB dimensions and respective indicators that have been used in this study to measure enhancement in OCB at the business unit level. The questionnaire items measured the extent to which social compliance activities improved behaviors of the unit’s production workers. The measurement items of operational and quality performance are based on the studies examining the associations among management system standards such as ISO 9000 and ISO 14000, employees’ behaviors, and organizational performance. The dimensions of the constructs supported by the relevant literature are presented in Table 1.

Table 1. Operationalization of constructs

| Constructs and dimensions | Supporting literature |
|---|--|
| Public and private standards | Perry and Towers (2013), Ciliberti et al. (2009), Castka and Balzarova (2008), Melnyk et al. (2003) |
| Organizational citizenship behavior 1. Self-training 2. Taking initiatives 3. Social welfare participation 4. Keeping workplace clean 5. Voice to prohibit harm 6. Promoting company image 7. Helping coworkers 8. Protecting and saving company resources 9. Interpersonal harmony 10. Participation in groups | Podsakoff et al. (2014), Chun et al. (2013), Sun et al. (2007), Dunlop and Lee (2004), Farh et al. (2004), Yoon and Suh (2003), Koys (2001), Podsakoff et al. (1997) |
| Operational performance 1. Unit production cost 2. Overall lead-time 3. Waste within the production process | Martínez-Costa et al. (2009), Sila (2007), Dunlop and Lee (2004), Naveh and Erez (2004), Melnyk et al. (2003), Montabon et al. (2000) |

| | |
|--|--|
| 4. On-time delivery 5. Overall manufacturing flexibility | |
| Quality performance 1. First pass yield 2. Product quality 3. Customer satisfaction 4. Net yield | Feng et al. (2014), Martínez-Costa et al. (2009), Singh (2008), Yee et al. (2008), Naveh and Erez (2004), Naveh and Marcus (2004), Melnyk et al. (2003), Koys (2001), Montabon et al. (2000) |

Following the approach of Melnyk et al. (2003), the items of OCB, operational performance, and quality performance measured the improvement in each dimension of these constructs attributable to the business unit’s social compliance activities. These questions were selected because they asked managers to explicitly identify how they observed social compliance affecting various dimensions of OCB, operational performance, and quality performance. Also, this operationalization allowed the examination of relationships between adoption of social responsibility standards and associated changes in OCB, and operational and quality performance.

Number of employees, percentage export of total sales, number of years of export experience, and local versus foreign ownership were included as control variables (Goedhuys and Sleuwaegen, 2013, Mishra and Suar, 2010, Sun et al., 2007).

The questionnaire was pre-tested with six production and social compliance managers and revised accordingly. It was also reviewed by researchers familiar with the theoretical and empirical scope of the study leading to a minor revision before the data collection. The questionnaire items are provided in Appendix A.

3.2 Data collection

The data was collected from medium to large size apparel manufacturing and exporting factories of Pakistan, one of the leading countries in manufacturing and export of apparel products to Western markets. Pakistan is the fourth largest producer and the third largest consumer of cotton in the world. The textile and clothing industry is the backbone of Pakistan’s manufacturing industry accounting for a 46% share, makes up 55-60% of the total export share, and contributes 8.5% to the country’s GDP (Finance-Division, 2019).

Collecting data in a developing country like Pakistan through a questionnaire survey is a challenging task. Like many other developing countries, a single formal repository providing a sufficiently large, complete, and reliable list of managers in apparel manufacturers did not exist. Thus, a sampling frame was generated from multiple means including three industry associations, three international buying houses operating in Pakistan, three multinational auditing companies, and the executive education center of the university hosting this research.

The total design methodology (Dillman, 2007) was used to guide data collection during the year 2015-16. The questionnaire and a cover letter were sent to the sampling frame of 394 potential respondents via email. An ex-ante approach to reduce common method bias by seeking multiple respondents per factory was adopted (Podsakoff et al., 2003). One manager (production manager or social compliance manager) per factory was contacted as the key respondent and the coordinator, but the key respondent was asked to involve the relevant manager to complete the other section(s) of the questionnaire. A social compliance manager (or equivalent) was considered knowledgeable about the implementation of social responsibility standards. A production manager (or equivalent) was considered knowledgeable about OCB, quality performance, and operational performance. The potential respondents understood the questionnaire language (i.e., English) because English is the official language of Pakistan. The key respondent was used to approach multiple respondents in a factory because of the lack of the needed contact information of all potential respondents. In addition, in some instances, physical access to factory premises for the

administration of the questionnaire by the research team was not available. The industrial landscape of developing countries poses such difficulties in the collection of field data (Jajja et al., 2017) in the very research on social compliance (Kolk and van Tulder, 2010).

Follow up was carried out using email, telephone, and personal visitsⁱⁱ. However, most communication happened over email and phone. As a follow-up, a member of the research team collecting the data personally by administering the questionnaire in 90 factories where it was possible to overcome the above-mentioned challenges of access to the factory. In these field visits, the research team member ensured the key respondents involved the relevant managers for filling out the respective questionnaire section(s). In the remaining factories, the research team coordinated over the telephone and relied on the key respondents to ensure that relevant managers participated in filling out the questionnaire. These conscious efforts, constrained by the research context, may not have eliminated common method bias but were focused on reducing it to a pragmatic level (Podsakoff et al., 2003, Flynn et al., 2018).

A total of 185 questionnaires were returned, of which 21 were incomplete, yielding a total of 164 useable responses (Table 2) and an effective response rate of 41.62% (i.e., 164/394). The approach of Armstrong and Overton (1977) was used to test for non-response bias. Ten randomly selected items of 25 early and 25 late respondents were not statistically different in T-tests, thus providing evidence for the absence of significant non-response bias. Also, the number of employees, which is an indicator of firm size, of early and late respondent companies were not significantly different in a T-test. This provides further support for the absence of non-response bias. The authors conducted an ex-post analysis to test for common method bias in the data. The single common factor analysis of all the items showed that only 42.51% variance, which is less than the upper acceptable limit 50%, was explained by a single component factor thus suggesting that common method bias is not a significant problem in this research (Podsakoff et al., 2003).

Finally, the adoption of standards data was tested for social desirability bias. Social desirability bias may creep in from the respondent's need for social acceptance and approval (Podsakoff et al., 2003). Since the respondents were asked to report the status of implementation of social compliance standards the respondents might be biased towards overstating the implementation status (Flynn et al., 2018). This possible bias was tested using the data of the adoption of public standards by randomly selected 20 suppliers from their respective buying houses. The data regarding the implementation of private standards was not corroborated because a buying house may not know implementation of private standard(s) of other buyers at its supplier's factory. The buying houses were asked a dichotomous question of whether the supplier had implemented the public (i.e., ISO 26000, SA8000, and the BSCI Code) standards at the time of collection of data for this research. The buying houses data lent endorsement to the original data (with 0.934 correlation significant at p-value < 0.01 and 96.67% match between the response from original respondents and buying houses), thus lending confidence to the quality of standards adoption data. This triangulation of data from an independent and secondary source did not provide evidence for the absence of the social desirability bias in the data but brought more confidence to the quality of the data and results in this research (Montabon et al., 2018).

Table 2. Profile of data and respondents

| Key Respondent Experience (Years) | Percentage | Key Respondent Titles | Percentage |
|-----------------------------------|------------|--------------------------|------------|
| 0 – 5 | 24 | Owner | 5 |
| 6 – 10 | 23 | Plant/ GM | 10 |
| 11 – 20 | 45 | Senior Manager | 18 |
| 21 – 30 | 5 | Manager | 41 |
| 31 – 40 | 1 | Deputy/Assistant manager | 14 |
| 41 or more | 1 | Other | 8 |
| Not known | 1 | Not known | 4 |

| Export as percentage of total sales | Percentage | Foreign Collaboration | Percentage |
|-------------------------------------|------------|-------------------------|------------|
| 0 – 25 | 5 | Local | 85 |
| 26 – 50 | 4 | Joint Venture | 6 |
| 51 – 75 | 8 | Foreign | 3 |
| 76 - 100% | 68 | Not known | 6 |
| Not known | 15 | | |
| Number of Employees | Percentage | Revenue (\$ million US) | Percentage |
| Less than 250 | 13 | Less than 2 | 13 |
| 251 – 500 | 21 | 2 – 4 | 9 |
| 501 – 750 | 13 | 4 – 6 | 8 |
| 751 - 1000 | 6 | 6 – 8 | 3 |
| 1001 - 1250 | 5 | 8 – 10 | 4 |
| 1250 - 1500 | 5 | More than 10 | 35 |
| More than 1500 | 29 | Not known | 28 |
| Not known | 8 | | |

The total number for each classification is 164.

4. Analysis and Results

4.1 Measurement model

A two-step structural equation modeling (SEM) approach testing the measurement model before testing the structural model using AMOS Version 22 modeling software was adopted (Hu and Bentler, 1999). An assessment of convergent validities, discriminant validities, and reliabilities of OCB, operational performance, and quality performance was carried out using confirmatory factor analysis (CFA). In CFA, each scale item was linked to its corresponding construct, and the covariance among the constructs was freely estimated. The model fit indices ($\chi^2_{78\text{ df}} = 162.252$, $\chi^2/\text{df} = 2.080$, CFI = 0.951, TLI = 0.934, IFI = 0.952, GFI = 0.888, NFI = 0.911, RMSEA = 0.081) suggest that the data fit the model (Hu and Bentler, 1999). In the process, four items were dropped (see Table 3) because of cross or low loadings. Hair et al. (2014) note that individual standardized factor loadings of a construct should be statistically significant and at least .50, and preferably .70. The retained items are all above 0.60 and statistically significant (p-value < 0.001), thus satisfying the individual item reliabilities as suggested in the literature (Nunnally and Bernstein, 1994, Hair et al., 2014, Yoon and Suh, 2003, Esper et al., 2015).

Table 3. Measurement model of constructs

| Constructs and Items | Standardized loading |
|---|----------------------|
| Organizational Citizenship Behavior (Composite reliability/ α = 0.913/0.899, AVE = 0.571) | |
| Initiatives | a |
| Helping coworkers in work or non-work related matters | 0.792 |
| Raising constructive voice | 0.691 |
| Participation in group activities | 0.641 |
| Promoting the business unit's image | 0.832 |
| Self-training | 0.863 |
| Social welfare | 0.739 |
| Protecting and saving company resources | a |

| | |
|---|-------|
| Keeping the workplace clean | 0.667 |
| Interpersonal harmony | 0.788 |
| Operational Performance (Composite reliability/ α = 0.878/0.897, AVE = 0.645) | |
| Unit production cost | 0.667 |
| Overall lead-times | 0.780 |
| Waste within the production process | 0.835 |
| Delivery in full on time | 0.911 |
| Overall flexibility (volume and mix) | a |
| Quality Performance (Composite reliability/ α = 0.888/0.884, AVE = 0.725) | |
| First pass yield | a |
| Product quality | 0.901 |
| Customer satisfaction | 0.845 |
| Net yield | 0.806 |

a Dropped to improve psychometric properties.

All values of Cronbach's α and composite reliability are greater than 0.70 thus satisfying the construct reliability and internal consistency (Nunnally and Bernstein, 1994). The values of average variance extracted (AVE) of all constructs are greater than 0.50 thus satisfying the convergent validity requirements (Hair et al., 2014). Discriminant validity can be tested by running a series of nested confirmatory factor analysis model comparisons between constrained (in which the covariance between each pair of constructs was set to 1) and unconstrained (in which the covariance between each pair of constructs was estimated freely) models (Segars and Grover, 1993). Significant differences in the values of χ^2 ($p < 0.01$, change in one degree of freedom) provided evidence of discriminant validity between all pairs of constructs except for the pair of operational and quality performance ($\Delta\chi^2 = 0.943$, p -value = 0.332). A possible reason for the lack of support for the χ^2 difference test of discriminant validity between operational and quality performance could be a high correlation between the two constructs (0.790 as mentioned in Table 4). The high correlation could be because these constructs measure two dimensions of organizational performance but clearly, they are defined and operationalized as distinct constructs in the literature (Khanchanapong et al., 2014). The high correlation could also be because these performance variables may reinforce each other, for example, Ou et al. (2010) find that operational performance has a strong positive impact on customer satisfaction. Thus, the discriminant validity of the constructs was further assessed by comparing the AVE value of each construct with squared inter-construct correlation (SIC) of the construct with the other construct in the pair. SIC values in all pairs of constructs were less than the individual construct's AVE values in each pair thus providing evidence for satisfactory discriminant validities of all the constructs (Segars and Grover, 1993). The correlation values of all variables are shown in Table 4. In addition, all constructs had values of CFI in excess of 0.90 in a single factor CFA model, thus satisfying uni-dimensionality requirements (Hu and Bentler, 1999).

Table 4. Correlation values

| | OP | OCB | QP | Own | EE | Exp | Emp | PbS |
|---|--------|--------|--------|--------|--------|-------|-------|-------|
| Organizational citizenship behavior (OCB) | 0.524 | | | | | | | |
| Quality performance (QP) | 0.790 | 0.670 | | | | | | |
| Ownership (Own) | 0.014 | -0.006 | -0.035 | | | | | |
| Export experience (EE) | -0.063 | -0.011 | 0.028 | -0.021 | | | | |
| Percentage of export based sales (Exp) | -0.012 | 0.061 | 0.011 | 0.072 | -0.022 | | | |
| Employees (Emp) | -0.019 | 0.123 | -0.008 | 0.066 | 0.120 | 0.105 | | |
| Public standards (PbS) | 0.127 | 0.293 | 0.168 | 0.028 | 0.023 | 0.117 | 0.318 | |
| Private standards | 0.086 | 0.211 | 0.109 | -0.090 | -0.121 | 0.221 | 0.291 | 0.266 |

OP (Operational performance)

Since the questionnaire was administered with the respondents through two types of communication, i.e., emails/phone calls and personal visits, the data might be subject to measurement variance between the two groups of respondents (Vandenberg and Lance, 2000). The measurement invariance of the constructs between the subsamples was tested using the confirmatory factor analysis approach suggested by Cheung and Rensvold (2002). First, the unconstrained CFA model was run with two groups in the AMOS model corresponding to the two samples. Values of the fit indices ($\chi^2_{156\text{ df}} = 292.112$, $\chi^2/\text{df} = 1.873$, CFI = 0.921, TLI = 0.893, IFI = 0.923, GFI = 0.823, NFI = 0.848, RMSEA = 0.081) indicated satisfactory model fit. All factor loadings were above 0.60 and significant (p-value < 0.01) with the exception of one item in the OCB construct whose loading was 0.576 in personal visits and 0.506 in emails/phone calls but still both loadings were significant (p-value < 0.01). It can thus be concluded that all constructs exhibited configural invariance across the two subsamples (Vandenberg and Lance, 2000, Cheung and Rensvold, 2002). Second, the χ^2 test was used to test whether $\Delta\chi^2$ between the constrained and unconstrained multi-group CFA models was significant. For the constrained CFA model, regression weights for all items were fixed between the two groups. This yielded $\chi^2_{179\text{ df}} = 326.044$, thus $\Delta\chi^2$ is not significant ($\Delta\chi^2_{\Delta\text{df}=23} = 33.932$, p-value > 0.05). The insignificant change in χ^2 between the two samples suggested metric invariance (with only 1 of 15 items showing factor loading less than 0.60 in both samples), and thus supported combining the two samples for empirical examination (Vandenberg and Lance, 2000, Cheung and Rensvold, 2002). Public standards and private standards, being single-item scales, were not subject to the measurement model assessment.

4.2 Estimation of structural model

SEM with maximum likelihood estimation method was applied to test the hypothesized relationships using the modeling software AMOS 22. The sample size was considered appropriate for SEM because it is higher than the minimum acceptable limit of 100 and comparable with sample sizes of earlier studies with relatively more complex models than the one being tested in the current research (Ou et al., 2010, Green Jr et al., 2012, Hair et al., 2014). Also, the ratio of sample size to observed variables in the current research i.e., 164 to 19 (sum of number of retained items and control variables = 19) is 8.63 which is, as mentioned above, greater than the minimum acceptable value of 5 and close to recommended value of 10 (Hair et al., 2014). The goodness of fit indices of the hypothesized model, including the control variables, provided a reasonable model fit ($\chi^2_{176\text{ df}} = 305.742$, $\chi^2/\text{df} = 1.737$, CFI = 0.934, TLI = 0.913, IFI = 0.936, GFI = 0.862, NFI = 0.860, RMSEA = 0.067). Satisfactory values of model fit indices of the structural model further suggest that the sample size is appropriate for the model's complexity (Hair et al., 2014, Ou et al., 2010).

The results in Figure 2 show the path estimates of the structural model. The results indicate a positive and significant path from public standards ($\beta = 0.254$ at p -value < 0.01) to OCB thus supporting H₁. However, the path estimate from private standards to OCB provides weak support to H₂ ($\beta = 0.143$ at p -value < 0.10). The results indicate positive and significant paths from organizational citizenship behavior to operational performance ($\beta = 0.534$ at p -value < 0.01) and quality performance ($\beta = 0.680$ at p -value < 0.01) thus supporting H₃ and H₄. All control variables were insignificantly (p -value > 0.05) related to the dependent performance variables.

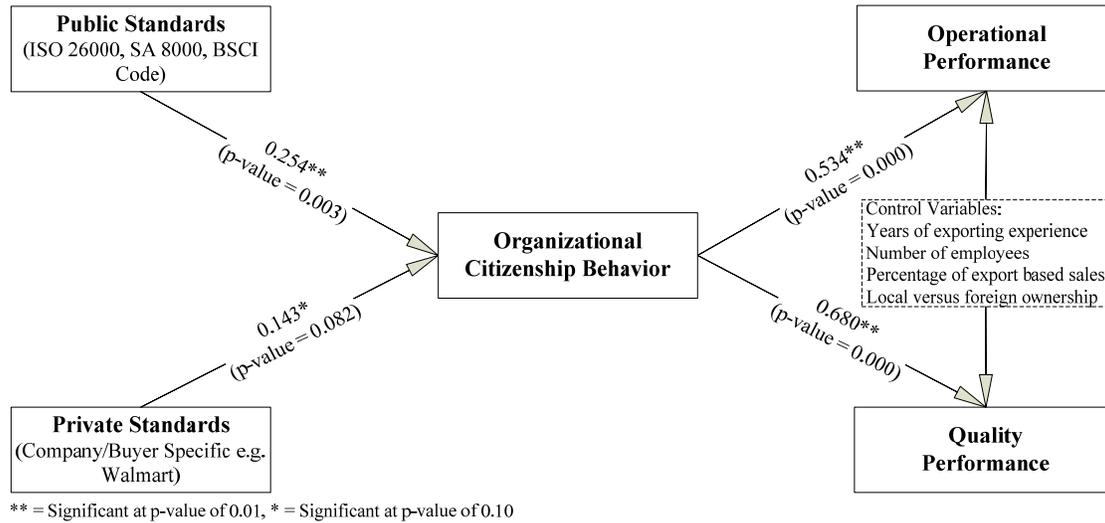


Figure 2. Results of direct paths in the hypothesized model

4.3 Mediation test

Following the recommendations of Rungtusanatham et al. (2014), the mediation effect of OCB was tested using the bootstrapping approach of Preacher and Hayes (2008). The mediation approach of Preacher and Hayes (2008) has higher statistical power, can accommodate multiple mediation hypotheses in a model, and is more robust to the assumptions of normality (Rungtusanatham et al., 2014). Thus, the bias-corrected bootstrapping approach that generated 5000 resamples was used to empirically estimate the indirect effects and their significance. According to the decision tree proposed by Zhao et al. (2010), estimates of direct and indirect effects between independent and dependent variables provide the needed information to understand the presence of a mediation factor. Thus, direct paths were added from public and private standards to each of the performance constructs (i.e., operational and quality) to estimate the direct and indirect effects in the structural model. The structural model provided satisfactory values of fit indices ($\chi^2_{72 \text{ df}} = 297.761$, $\chi^2 / \text{df} = 1.731$, CFI = 0.936, TLI = 0.914, IFI = 0.938, GFI = 0.865, NFI = 0.864, RMSEA = 0.067). The results of the mediation analysis using direct and indirect path estimates are presented in Table 5.

The results of the bootstrapping analysis show that OCB mediates the relationship between public standards and operational performance (significantly at $p < 0.05$) and public standards and quality performance (significantly at $p < 0.05$) thus supporting hypothesis 5_a and 5_b respectively (Table 5). Also, the results show that OCB mediates the relationship between private standards and operational performance (significant at $p < 0.10$) and private standards and quality performance (significant at $p < 0.10$) thus providing support, albeit weaker, to hypothesis 5_c and 5_d respectively. Finally, as recommended by Zhao et al. (2010), since the direct effects of (a) public standards on operational performance and quality performance, and (b) private standards on operational performance and quality performance, are not significant (all the four p -values > 0.05 as shown in Table 5) all the four mediation effects (i.e., H_{5a-d}) are indirect only mediation.

Table 5. Bootstrapping results for mediation analysis

| IV | MV | DV | Effect of IV on MV (a) | Effect of MV on DV (b) | Direct effect (c') | Indirect effect (a*b) |
|-----|-----|----|------------------------|------------------------|---------------------|-----------------------|
| PbS | OCB | OP | 0.238 (p=0.003) | 0.539 (p=0.000) | 0.054 (p=0.517) | 0.128 (p=0.002) |
| PbS | OCB | QP | 0.238 (p=0.003) | 0.667 (p=0.000) | 0.142 (p=0.116) | 0.159 (p=0.003) |
| PrS | OCB | OP | 0.159 (p=0.072) | 0.539 (p=0.000) | -0.120 (p=0.144) | 0.086 (p=0.056) |
| PrS | OCB | QP | 0.159 (p=0.072) | 0.667 (p=0.000) | -0.108 (p=0.142) | 0.106 (p=0.063) |

IV: Independent variable, MV: Mediating variable, DV: Dependent variable, PbS: Public standards, PrS: Private standards, OCB: Organizational citizenship behavior, OP: Operational performance, QP: Quality performance
Note: Standardized effects

5. Discussion

5.1 Theoretical implications

5.1.1 Social responsibility and OCB

The positive effect of supplier social responsibility standards on OCB, though weak for private standards, can be explained through the lens of SET (Cropanzano and Mitchell, 2005, Blau, 1964) and the rule-based approach (Leung, 2008). First, social responsibility standards promote socially responsible behaviors on the firm's part which, in line with SET, are reciprocated by employees with behaviors that benefit the organization. The findings of this study are congruent with earlier studies reporting the effect of various organizational initiatives such as the implementation of corporate social and environmental policies on the generation of positive attitudes and behaviors among employees (Surroca et al., 2010, Paillé and Raineri, 2015, Paillé and Mejía-Morelos, 2014). Second, the standards promote a rule-based approach to work that leads to disciplined and civil behaviors by employees (Sartor et al., 2016). For example, implementation of ISO 9000, which requires the organization to outline its rules and follow the rules, is found to enhance the culture of safety, continuous improvement and attention to detail, and employee motivation and engagement (Singh, 2008, Levine and Toffel, 2010, Naveh and Erez, 2004). The rule-based approach to promoting OCB also finds empirical support from Leung (2008) who noted that "ethical climate that emphasizes principles, such as company rules and professional codes, are more likely to lead to the development of a relational contract and foster strong OCB" (p. 46).

Also, 'trust' and 'social identity' furnish valuable lenses in explaining how social responsibility standards that are a part of the organizational governance system can trigger discretionary and extra-role behaviors. Social friendly practices enhance organizational trust and boost employees' commitment which translates into positive attitudes and civic behaviors (Farooq et al. 2014). The trust perspective is aligned with social identity theory which states that employees develop a close bond with an organization that promotes people-friendly practices (Tajfel, 1974). When employees perceive that socially benevolent initiatives ensue from organizational legal structures, i.e., social standards in this case, it increases their self-esteem and engenders favorable attitudes and behaviors (Castro-González et al., 2019). In contrast to SET that builds on 'reciprocity', social identity theory rests on defining social-self and self-worth through organizational membership. Overall, organizational policies and systems translate to employees' discretionary behaviors through the creation of trust, commitment, and social identity.

The difference in the strength of support of public and private standards is interesting and understandable on a few grounds. First, higher asset-specific nature of private standards, compared to public

standards, could be an explanation for the weaker effect of private standards (Williamson, 1975). Since a private standard is more asset-specific, suppliers may not entrench and institutionalize the requirements of the private standard thus reducing the effectiveness of the private standard by its ad-hoc implementation. The supplier would invest in the true implementation of a private standard if it is associated with a promise of long-term business from the respective buyer (Jiang, 2009). Thus, it would be interesting to identify and examine in future research the factors, such as longevity of buyer-supplier relationship and cost of implementation of private standards, that may moderate the association between private standards and OCB (Asif et al., 2019). On the other hand, a public standard has lower asset specificity and relatively more long-term value in the market as it is acceptable to a large number of buyers and other stakeholders (Hahn, 2013). Thus, a supplier may invest resources in the implementation of a public standard that will in turn increase the effectiveness of the public standard.

Second, the more powerful role of public than private standards in eliciting OCB resonates with and extends the literature on the relationship between various social responsibility initiatives and employees' behavior (Chun et al., 2013, Lin et al., 2010, Surroca et al., 2010). The social responsibility activities (e.g., public standards) that are induced by multiple motivations yield more positive behavioral changes among employees than initiatives meant for the satisfaction of the buyer mainly (e.g., private standards). Employees may perceive the adoption of public standards as a voluntary action by the firm for achieving the wellbeing of employees and other commercial objectives and adoption of private standards as a compulsory action by the firm to meet the business requirements of a specific buyer. As a result, employees' response is different for these two formats of social responsibility standards. This point is endorsed by Farooq et al. (2014) and Lin et al. (2010) who found that workplace-related social responsibility practices had a more positive impact on employees' behavior than social responsibility initiatives related to society, customer, or other stakeholders. Chun et al. (2013) discussed three different types of ethics in their paper and only organizational ethics affecting employees were found positively related to employees' organizational commitment, which endorses the point that public standards are more potent than private standards in eliciting OCB.

Third, the varying affinities of employees for public and private standards can also be explained in terms of 'intrinsic' and 'extrinsic' attributions to public and private standards respectively (Vlachos et al., 2013, Ellen et al., 2006). Public standards exhibit high 'intrinsic attribution' as employees may perceive that their implementation is mainly driven by the intention to establish rules and structures for workplace wellbeing (Du et al., 2007). High intrinsic attribution to public standards creates loyalty and goodwill for the firm (Habel et al., 2016), boosting employee morale that translates into firm performance (Farooq et al., 2014). Social identity theory also endorses the higher value of intrinsic attribution to public standards. 'Extrinsic attribution', on the contrary, refers to perceptions that a standard adoption by the firm is meant for getting a reward or avoiding a penalty from external stakeholders (Du et al., 2007, Pai et al., 2015). It creates a perception that private standards are implemented with rent-seeking intent and that the firm intends to make a 'business case' by adopting the private standard (Asif et al., 2019). Thus, it follows that when employees assign internal attribution to a standard, they are more likely to buy-in the standards and show a higher level of commitment to its adoption. Although the literature discusses intrinsic and extrinsic attribution in the context of CSR (Pai et al., 2015, Story and Neves, 2015, Hur and Kim, 2017), this paper extends the discussion into the realms of social compliance standards.

Finally, a structured approach inherent in public standards makes them more suitable for triggering OCB and improved performance. Public standards (ISO 26000, SA 8000, and BSCI) follow a more structured approach (Boiral, 2011, Castka and Balzarova, 2008) compared to the private standards (Ciliberti et al., 2009). The structured approach means that the firm has management systems to organize socially responsible practices that are repeatable and contribute to organizational learning and maturity. The approach of public standards is often described as 'say what you do, do what you say' (Boiral, 2011), which clearly refers to a systematic process approach. Further, the differences in outcomes may originate from the contents of standards and challenges in their effective implementation. Private standards represent corporate values and policies of the buyer, thus their content may vary in terms of scope and focus towards various dimensions of social responsibility. Public standards, on the contrary, are more broad-based and balanced

in terms of their scope and focus (Hahn, 2013) which increases their buy-in by the employees. Finally, the auditing process of public standards is also more rigorous compared to private standards as the former are audited against clauses of standards and the auditing process is more uniform (Terziovski and Guerrero, 2014). Hence, it is understandable why public standards are more effective than private standards in eliciting OCB.

Exploring the connection between social responsibility standards and OCB is an important contribution of this study. Previous research has discussed the antecedents of OCB mainly from the perspectives of employee, job, and organizational characteristics and leadership styles (Podsakoff et al., 2000). Some studies have also discussed the role of eco-initiatives in OCB for the environment (Paillé et al., 2013), but the role of social responsibility standards in OCB remains largely unexplored (Sartor et al., 2016, Zorzini et al., 2015). Delmas and Pekovic (2013) also echo that although economic benefits of standards are widely reported, how these standards engage employees, improve their productivity, and increase organizational effectiveness remains unclear and largely anecdotal. Thus, while previous studies discuss the antecedents of OCB within psychology, organizational behavior, and human resource management frameworks, this study discusses the role of OCB antecedents in an entirely different and relatively unexplored domain. The role of social standards in OCB is an important finding because standards represent the most popular governance framework for addressing social issues in supply chain management (Jajja et al., 2019). This paper sheds light on the missing thread that connects management controls (i.e., standards) to a firm's economic performance through behavioral changes (i.e., OCB).

In addition, previous studies mainly investigate the effect of social responsibility standards on supplier opportunism and other supply chain parameters. These studies explore the effect of different approaches to social responsibility implementation non-discriminately, i.e., without classifying them as public or private standards (Sartor et al., 2016, Saeidi et al., 2015). However, this research shows that there are notable differences in the efficacy of public and private social responsibility standards, and these differences must be considered. The findings of this study are complementary to the previous studies and provide a more far-reaching role of social responsibility approaches within sustainable supply chain management research.

5.1.2 OCB and Organizational Performance

This empirical examination lends support to the positive association between OCB and quality and operational performance. This finding can potentially explain the earlier research that theorized but did not find a positive relationship between OCB and financial or business performance (Chun et al., 2013, Dunlop and Lee, 2004). One possible explanation for Chun et al. (2013) not finding a positive relationship between OCB and financial performance could be that perhaps there is no direct relationship between OCB and financial performance. Instead, the direct impact of OCB is on those areas of organizational performance that are directly associated with the output of employees, e.g., customer satisfaction and organizational productivity (Feng et al., 2014, Sun et al., 2007). Operational and quality performance dimensions are more closely linked with the behavior and output of production employees (Pullman et al., 2009) as compared to financial measures such as return on investment, sales, and profitability (Choi et al., 2010, Mishra and Suar, 2010). The improvement in a firm's operational and quality performance may, in turn, have a positive impact on the firm's financial performance (Yee et al., 2008, Jajja et al., 2016).

OCB resonates with the approach, modus operandi, and performance outcomes of TQM. OCB improves firm performance by lubricating the social machinery of the firm (Organ, 1988), reducing social friction, and allowing people to spend more time on their work rather than relationship maintenance (Podsakoff et al., 2018). Further, when OCB becomes normative, it ratchets up group cohesion which is an established antecedent of group performance (Nielsen et al., 2012). TQM also induces operational and quality improvement through behavioral practices involving individuals, groups, and their interactions (Fotopoulos and Psomas, 2009, Zu, 2009). Performance improvement in both is driven mainly by the involvement of the behavioral dimension which appears as 'infrastructural practice' in TQM and 'OCB' in social compliance standards (Zu, 2009). Both TQM and social compliance standards are futile in the absence of an effectively managed behavioral dimension (Cho et al., 2017). Previous research calls for

aligning the behavioral side with the technical side of the firm, but the behavioral aspect is mainly discussed in terms of management commitment, role of teams, leadership, employee involvement, employees' education and development, and cultural change (Fotopoulos and Psomas, 2009, Zu, 2009). OCB as a complementing factor to the technical side of the firm presents a vital yet less discussed approach to lasting performance improvement. One of the key contributions of this research is that it highlights OCB as the key behavioral pillar supporting social compliance program.

The relationship between OCB and production performance indicators is particularly meaningful in the empirical context of this study. The production processes of apparel factories are characterized as labor-intensive and high task interdependent. Thus, motivating and mobilizing human resources in labor-intensive setups can have a significant impact on operational and quality performance. However, generating the workers' behavior needed for optimal production yield and quality in developing countries companies is a daunting task (Gereffi and Lee, 2012). Scholars have argued for the greater effectiveness of OCB in such industries, for example, military processes have high task interdependence and, accordingly, the reported correlation between OCB and performance is also comparatively high (Ehrhart et al., 2006). Similarly, in the apparel industry, in this study, correlation is also high. In contrast, in studies involving banks (Naumann and Bennett, 2002) and insurance processes (Podsakoff and Mackenzie, 1994), the correlation was low and even negative. The employees in both banks and insurance companies engaged in processes that were mainly independent such as making client contracts, selling policies, and answering queries. In high task interdependence processes, as in this study, OCB lubricates and facilitates social interactions which are essentially required for group performance (Nielsen et al., 2012). Thus, the use of OCB in manufacturing, labor-intensive, and high task interdependent processes can be particularly valuable in smoothing social interactions and improving firm performance (Podsakoff et al., 1997).

5.1.3 Mediation Effect of OCB

This paper presents one of the initial efforts applying SET in explaining how supplier social responsibility initiatives may have an indirect effect on the supplier's organizational performance. In doing so, this paper has attempted to extend the debate on the relationship between social responsibility and organizational performance. The evidence that OCB mediates the relationship between social responsibility initiatives and organizational performance provides some explanation as to why the findings between social responsibility to performance linkage are inconsistent in earlier studies (Mishra and Suar, 2010, Valmohammadi, 2014, Torugsa et al., 2012, Jin and Drozdenko, 2010, Lin et al., 2009, Aras et al., 2010, Moore, 2001, Zhu et al., 2016). This paper explains a mechanism, i.e., OCB, through which social responsibility initiatives may have an indirect effect on organizational performance. Thus, the findings of this study support the social responsibility → mediators → performance argument (Chun et al., 2013, Surroca et al., 2013, Bernal-Conesa et al., 2016, Saeidi et al., 2015, Yadlapalli et al., 2018) as opposed to the argument of the direct social responsibility → performance linkage (Valmohammadi, 2014, Choi et al., 2010, Torugsa et al., 2012).

In addition, within the literature examining social responsibility → mediators → performance linkages this paper makes an important extension. Earlier studies have mostly sought to examine the role of organizational outcomes such as internal improvement in the organization (Bernal-Conesa et al., 2016), innovation (Reverte et al., 2016, Surroca et al., 2010), reputation (Bernal-Conesa et al., 2016, Saeidi et al., 2015), customer satisfaction, competitive advantage (Saeidi et al., 2015), human capital, and culture (Surroca et al., 2010) in the relationship between social responsibility practices and organizational performance. The current paper provides evidence that social responsibility initiatives may trigger individual- or micro-level changes such as OCB that may affect organizational performance.

This mediating role of OCB provides insights into why supplier social responsibility standards sometimes fail to yield the intended results (Hahn, 2013). Previous research reports that standards may be implemented for legitimacy reasons rather than for improving performance (Castka and Balzarova, 2008). As a result, standards are not institutionalized in the organization, leading to a failure in the buy-in of these initiatives by employees, and thus unable to generate OCB. However, when implemented for performance

improvement purpose, an increased institutionalization will follow through the development of relevant systems and employees will buy into these actions and reciprocate through OCB which will translate into improved performance. Hence, the difference between a failed and successful social compliance program could be acceptance and appreciation of these programs by employees and subsequent development of desired practices and behaviors. Previous studies have raised the question regarding why social compliance standards get decoupled from the core processes and thus fail to deliver results (Behnam and MacLean, 2011, Bromley and Powell, 2012). This study partially answers this question by highlighting the role of OCB. In sum, the difference between a successful and a decoupled social compliance program is their ability to generate OCB (Boiral et al., 2017).

This study also helps to resolve the dilemma of how the relationship between social responsibility and performance works in long- and short-runs. Some authors argue that social responsibility practices pay off in the long- as well as short-run (Ruf et al., 2001) while others report that these practices reward in the long-run and do not reward or may even negatively affect performance in the short-run (Lin et al., 2009, Moore, 2001). The argument and findings of this study speak to these mixed reports on the long-term versus the short-term impact of socially responsible practices. This study argues that social responsibility practices are not the resources that will certainly lead to financial rewards or competitive advantage after a certain time because these practices are not inherently aimed at improving economic performance (Chun et al., 2013). Instead, these practices may generate and need a conduit to create an indirect effect on economic performance (Reverte et al., 2016, Saeidi et al., 2015). If these conduits are present, the social practices may affect performance in the short-run as well, but this effect may never appear if the conduit is not established. OCB furnishes the conduit which, when adequately developed, leads social responsibility practices to generate economic benefits.

Finally, the findings of this study provide a partial manifestation of how the concept of the triple bottom line of business may work in practice. The findings of this paper provide evidence against the trade-off hypothesis, i.e., the understanding that economic gains essentially come at the cost of material and human resources. This paper explains how a method for improving social performance, i.e., adoption of social responsibility standards, may affect economic performance, lending support to the social impact and business case hypothesis, i.e., social performance leads to economic performance (Klassen and Vereecke, 2012).

5.2 Managerial implications

The findings of this research provide insights for suppliers in developing countries as well as buyers in developed countries. For the suppliers, this paper shows that adoption of social responsibility standards, such as SA8000 or a buyer-specific code of conduct, enhances the goodwill of the supplier among its employees, though the effect of buyer-specific codes (i.e., private standards) is weaker than public standards (e.g., SA8000). Employees respond to such positive actions with increased OCB. Thus, managers can employ these standards to foster prosocial and civil behaviors among employees. Further, this research also highlights the utility of social responsibility standards beyond a mere marketing case, in which adoption of standards is motivated by pressures from powerful stakeholders such as buyers, to deep-rooted changes in organizational fabric promoting civic behaviors among employees. Thus, managers need to appreciate and project social responsibility standards as more than a business requirement or promotion tool.

From the buyers' standpoint, this study indicates that the adoption of social responsibility standards suggests the presence of institutional arrangements for supplier social compliance. These institutional arrangements ensure that social compliance is addressed systematically rather than through sporadic and ad hoc measures. Adoption of social responsibility standards by the supplier can create a win-win situation for both buyer and supplier as the buyer develops confidence in the systems of the supplier and the supplier can nurture productive behaviors among its employees leading to performance improvements. Managers should also appreciate that unlike public standards, all buyer-specific codes may not lead to strong changes in OCB and, therefore, only generate weak indirect effects on organizational performance. Thus, buying

organizations should critically evaluate their supplier codes to examine and develop their potential to generate OCB in employees.

The differential 'intrinsic' and 'extrinsic' attribution to public and private standards has important managerial implications. Public and private standards have both intrinsic and extrinsic attributions although intrinsic attribution appears to be higher in public standards than in private standards. The powerful role of intrinsic attribution in case of CSR in other studies (Vlachos et al., 2013) and social standards in this study suggests that managers should highlight the intrinsic value of standards, that is, their role in bringing health and safety, fair compensation, abolishing workplace discrimination, and the right to unions. Managers need to invest more time in designing and communicating activities that primarily manifest the intrinsic value of standards. Such communication should focus on explaining to employees the *raison d'être* of implementing standards, benefits from compliance, and persuasion for diligent compliance. The need for highlighting intrinsic attribution is, even more, pressing in case of private standards which by default have high extrinsic attribution.

5.3 Limitations and future research

This study has certain limitations that need to be addressed in future research. First, this study measured the social compliance of suppliers in terms of social responsibility standards. However, the adoption of social responsibility standards may not reflect the actual extent of implementation of social compliance practices of the supplier. Future research should seek other measures of supplier social compliance. Second, although respondents in this study were well informed about implemented systems, their cognizance of strategic direction for social responsibility is not the same as that of the top management. Future research should collect data from informants in top management tiers. Third, the current study found a stronger effect of public standards than the private standards in triggering OCB. This study discussed some possible reasons for this differential effect, but it would be interesting to empirically investigate in future why some forms of social responsibility initiatives are more effective in positively changing the employees' behavior than others. Fourth, this research is based on cross-sectional and quantitative data. Such research designs, though suitable for exploring the relationship between constructs, cannot provide insights into the underlying dynamic processes that govern the path, i.e., standards → OCB → operational and quality performance. These dynamics need to be studied through longitudinal research to acquire a better understanding of the standards-OCB-performance relationship. Finally, this study used data from apparel manufacturing and exporting factories in Pakistan. The sample size in the current research was constrained by the challenges of collecting data in a developing country as discussed in the paper. Future research should seek a larger sample and data from other industries and countries to examine the stability and generalizability of the findings of this research.

Appendix A. Interviews and Questionnaire

Part-I Key Questions of Semi-structured Interviews (Adapted for space)

1. What is the meaning of Social Compliance?
2. Who are the main actors involved in the implementation of Social Compliance?
3. How is Social Compliance of suppliers, i.e., manufacturers/exporters of apparel products, assessed?
4. Is there any effect of implementation of Social Compliance on employees? What is it, if any?
5. Is there any effect of implementation of Social Compliance on performance? What is it, if any?

Part-II Questionnaire Items (Adapted for space)

Definitions Of Terms For The Respondents

Business Unit or Unit: Unit means an administratively separate manufacturing facility. A company can have more than one business units.

Social Compliance: It is a continuing process to find and implement better ways to protect the health, safety, and fundamental rights of employees.

Social Compliance Standards

For each program listed in the left column, please place an “X” in the cell which best describes its status in your unit (only one (1) “X” per row please).

| Management System | Not Applicable | Not being considered | Future Consideration | Assessing Suitability | Planning to implement | Currently Implementing | Successfully Implemented |
|---|----------------|----------------------|----------------------|-----------------------|-----------------------|------------------------|--------------------------|
| ISO 26000 | | | | | | | |
| BSCI Code | | | | | | | |
| SA8000 | | | | | | | |
| Company or Buyer specific social compliance program. Please mention: | | | | | | | |

Organizational Citizenship Behavior (Likert scale 1 to 7: Strongly Disagree to Strongly Agree)

Social compliance activities in our unit have improved the following behaviors in our unit’s production workers:

- Initiative* by taking additional workload or responsibility
- Helping coworkers* in work or non-work related matters
- Raising constructive voice* to prohibit harm to the unit
- Participation in group activities* organized by the unit or by employees
- Promoting business unit’s image* by talking up about the unit
- Self-training* by improving one’s own knowledge or working skills
- Social welfare* by participating in activities of public welfare or community service
- Protecting and saving company resources* or using personal resources to aid the company
- Keeping the workplace clean*
- Interpersonal harmony* by actions aimed at facilitating and preserving harmonious relations in the workplace

Operational Performance (Likert scale 1 to 7: Strongly Disagree to Strongly Agree)

Social compliance activities in our unit have:

- Reduced unit production cost
- Reduced overall lead-times
- Reduced waste within the production process
- Increased delivery in full on time

Increased overall flexibility (volume and mix)

Quality performance (Likert scale 1 to 7: Strongly Disagree to Strongly Agree)

Social compliance activities in our unit have increased:

- First pass yield
- Product quality
- Customer satisfaction
- Net yield

Control Variables

1. Number of employees in our unit are:
 Less than 250 251-500 501-750 751-1000
 1001-1250 1250-1500 more than 1500
2. Unit's export as percentage of total sales:
 0 - 25% 26 - 50% 51 - 75% 76 - 100%
3. Our unit is exporting since _____ (Year).
4. Company ownership:
 Local Joint Venture Foreign

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ⁱ A table summarizing the literature review is available from the authors upon request.

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