

Responsible supply chain and social sustainability: a call for more accounting-based research

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1. Introduction

The challenge associated with balancing the three sustainability pillars – social, environmental and economic – has gathered a lot of management scholars' attention over the past decade. Several events and tragedies have marked the need for academic research on the accountability of major organizations pertaining to their suppliers' environmental and social practices. Such accountability is even going further upstream the supply chain to the second and third tier supply chain. Despite the popularity and development of the accounting field on matters of environmental or social challenges in supply chain over the past three decades (Bebington and Larrinaga, 2014), scholars recently noted that applied research in the accounting field pertaining to these issues remain limited (Lee and Schaltegger, 2018). This is specifically the case for social issues in the global supply chain. Social sustainability has received less attention than the other dimensions of sustainability in supply chain research, as the majority of research is aimed toward environmental or economic aspects of sustainability (Seuring and Müller, 2008; Lee and Wu, 2014). Yet, social challenges in the supply chain particularly in developing economies continue to grow (Huq *et al.*, 2016; Jacobs and Singhal, 2017; Sodhi and Tang, 2018).

The roles and use of sustainability accounting and management to socially responsible supply chain is currently unclear and warrants some attention. Social sustainability in global supply chain covers a wide range of issues including modern slavery, child labour, working conditions and gender inequality (Golicic *et al.*, 2020). The reasons for insufficient research on the topic might be explained by three factors. First, there is a relatively broad and wide coverage of social sustainability in the literature but limited in-depth studies and approaches to tackle social sustainability issues in supply chain management. Second, although social sustainability using sustainability accounting and auditing in supply chain becomes increasingly visible, they remain not well addressed or captured in supply chain research. That is, sustainability accounting and management tools such as auditing and assurance are commonly used in social supply chain practices, there are some missing link between accounting, management studies and supply chain studies. Third, as social sustainability issues become increasingly visible in supply chain, there are rooms to develop and articulate tools and approaches from sustainability accounting and management to tackle social supply chain problems.

Within the theme “responsible supply chain and social sustainability”, we aim to improve our understanding and knowledge to understand the roles and use of sustainability accounting and management to tackle social (and environmental) sustainability issues in supply chains.

2. Social sustainability and responsible supply chain: missing link to accounting research

“Sustainability”, an honoured word in the lexicon of management literature over the past two decades, embraces environmental, social and economic dimensions. As sustainability issues of the supply chain involve a buying firm, multiple business partners and multi-tier suppliers, it is a complex challenge to address sustainability issues in simple terms. The Rana Plaza disaster in Bangladesh seven years ago was a wake-up call for leading giant manufacturers and retailers to re-examine their global supply chain, in particular, social



auditing of lower-tier suppliers and sustainable outsourcing practices notably in fashion and apparel companies such as H&M and Zara, Nike and Adidas.

In accounting and management literature, social sustainability mainly focuses on issues such as poor working conditions, poverty, diversity, forced labour, inequality and gender discrimination (Mani *et al.*, 2015). Sharma and Ruud (2003) describe social sustainability as an ethical code of conduct for human development and growth that should be achieved in an inclusive, connected and equitable manner. Some scholars attempted to link social sustainability to supply chain management (Gualandris *et al.*, 2015; Tang, 2018; Villena and Gioia, 2018; Lee and Tang, 2018). Health and safety, child labour, modern slavery, employment, working conditions and equity are issues that have drawn increasing attention in the supply chain literature. More recently, modern slavery has become another emerging supply chain area of interest for accounting and management researchers. As the Modern Slavery Acts in the UK and Australia require supply chain reporting for transparency, many large firms are required to report on their actions to address modern slavery in both their operations and supply chains. In Australia, a range of entities with a revenue threshold no lower than \$100m total annual revenue, and headquartered in Australia or that have any part of their operations in Australia are required to report (Commonwealth Modern Slavery Act, 2018). Benstead *et al.* (2018) investigated how horizontal collaboration in response to modern slavery legislation can gain a socially sustainable competitive advantage. Using qualitative study, Islam *et al.* (2018) examined the use of social compliance audits in the supply chain of multinational corporations (MNCs) in Bangladesh and found that the roles of social audits and assurance are limited to hold MNCs and their suppliers accountable, more institutional intervention is necessary. In the European context, Maze *et al.* (2016) studied third-party certification and the roles of auditing policies in social sustainability using materiality in combined audits in agriculture sector. Chatain and Plaksenkova (2019) also studied how NGOs can influence value creation in a vertical value chain towards social sustainability.

3. Papers in this theme

A call for papers pertaining to the topic “Responsible Supply Chain and Social Sustainability” yielded the submission of 11 manuscripts. Three of these manuscripts successfully went through the peer review process and are gathered in this issue under the theme of. The papers accepted were interestingly very eclectic in their approaches and topics within the domain of sustainable supply chain management. For example, two papers used a case-based approach and the third elaborated an econometric model tested with secondary data.

The first article by Akhavan and Zvezdov (2021) explores the information demands and needs from various organizations along a supply chain. Examining three buyer–supplier dyads at different positions in the European automotive supply chain, the authors tried to decipher if the informational needs varied along the supply chain. Building on the information processing theory (Galbraith, 1974; Daft and Lengel, 1986), the authors conclude that the different actors in the supply chain develop procedures given their informational context (i.e. varying degrees of uncertainty and equivocality). They found that corporate organizations use and develop individual and collective procedures, standards and formal sustainability information systems. In addition, they found that sustainability information used by sustainability accounting can support supply chain sustainability transparency.

This study also indicated that actors of the supply chain should include not only business actors but also external parties such as NGOs and multi stakeholders to improve sustainability performance in supply chains. One interesting managerial implication of the

article is that other inter-organizational sources of information may be leveraged – hence organizations should consider these other channels before investing in the information processing capacity pertaining to sustainability.

The second article (Damert *et al.*, 2021) addresses stakeholder pressures and internationalization for socially responsible supply chain management. Using secondary data from 1252 international firms the authors established that a firm located in a country with higher democratic values as measure by the voice and accountability indicator computed by the World Bank will adopt more social practices in their supply chain. They also found that international sales were correlated with the number of practices. They estimated the relationship between stakeholder pressures, internationalization and SR-SCM strategies and found that SR-SCM has gained importance over the study period and discrepancies across the different categories of strategies and stakeholder pressures. They also found that more globalized companies tend to adopt a greater number of SR-SCM practices. In the same vein, the results indicated a diminishing relevance of home country stakeholders pressures as a company's sales internationally increase.

The last article by Higashida (2021) is an applied paper using two cases to demonstrate the possible integration between material flow cost accounting and green supply chain management. Although MFCA has been well developed in environmental accounting, it has not been applied into supply chain practice yet. Increased outsourcing and the development of a variety of new products increase the number of sustainability challenges and complicates material flows across the supply chain. Higashida (2021) conducted in-depth case studies with a Japanese manufacturing company in two different supply chains. One is the company's inhouse operation and the other is the first-tier supply chain. He found that MFCA played a positive and significant role in coordinating material flows in supply chains from both economic and environmental perspectives. He also found that the focal company can use buying power to facilitate MFCA in the supply chain. In the case analysis, he also identified existing organizational control and accounting practices are obstacle to facilitate MFCA, in particular material loses reduction in operations. He suggested that management accounting, in particular MFCA should be applied to supply chain management under well designed coordination among organizations in supply chains.

As demonstrated by the papers on this theme, social sustainability in supply chains remains a rich research topic with several potential avenues. Before elaborating on the challenges and research gaps in the next section, it noteworthy that, as suggested with the three papers here, that several methodological approaches can be used to study the social sustainability in supply chain. Because some of the sub-topics such as modern slavery and societal inequalities are emergingly capturing managerial attention in global supply chains, they are more suitable for methodologies allowing a better comprehension of the phenomenon and its context. More "mature" subjects like worker safety for which common practices and metrics have started to become norms might benefit to more quantitative approaches such as secondary data and surveys.

4. Future research avenues

While sustainability accounting and management has begun to tackle sustainability challenges in supply chain through several special issues and literature review (Beske *et al.*, 2015; Burritt and Schaltegger, 2014), we believe that several key areas and dimensions have been left unaddressed. The papers covering this theme provided a valuable contribution to our current understanding of responsible supply chain and social sustainability in management and accounting perspectives. Even though the small number of papers are

very diverse in scope and do not give an exhaustive view of the theme of responsible supply chain and social sustainability, some conclusions and future directions can be drawn.

First, the wide range of sustainability challenges and needs are addressed to link responsible supply chain management and accounting practice. In order to tackle social challenges beyond focal company's operations, sustainability information needs to be collected and communicated to increase transparency in the supply chain and improving sustainability performance. While environmental indicators evolved over the decades, social performance metrics are way more difficult to develop an area where accounting scholars can contribute significantly. Furthermore, sustainability accounting can offer important roles to support sustainability information sharing and distribution among key members of a supply chain.

Second, the impacts of increased actions under socially responsible SCM need to be captured through well designed information system. Clearly there are important roles of sustainability accounting and management for socially responsible SCM. Accounting can offer communication with relevant key stakeholders within and beyond supply chain for sustainability. As it is very common practice of global supply chain and outsourcing activities in today's business, both local and international stakeholders are important to consider for responsible supply chain management. Sustainability accounting can offer reporting and labelling communication tool between key stakeholders and companies, and monitoring, auditing and assurance supports between the focal company and suppliers to facilitate and achieve socially responsible supply chain practice.

Third, some existing accounting tools and management practice are obstacle to achieve responsible supply chain management. We should revisit existing accounting and management practice to identify gaps or rooms to improve and/or revise to embrace sustainability dimensions into implementation practice. Accounting and management research has the opportunity to uncover how business practices can move towards sustainable development in the globalization era.

Lastly, we would emphasize the need to reconsider the boundaries of our research within sustainability accounting and management, and how the global value chain and social sustainability supply chain problems and challenges will affect the way that we now account for sustainable development. The papers in this special issue show that accounting can and needs not only to help call out bad corporate practices but also to encourage practical and realistic solutions to improve corporate responsible supply chain management practices.

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Further reading

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