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# Nominated procurement and the indirect control of nominated sub-suppliers: Evidence from the Sri Lankan apparel supply chain

Enrico Fontana<sup>a,b,\*</sup>, Christina Öberg<sup>c,d,e</sup>, León Poblete<sup>f,g</sup>

<sup>a</sup> Department of Management, Sasin School of Management, Chulalongkorn University, Bangkok, Thailand

<sup>b</sup> Mistra Centre for Sustainable Markets, Stockholm School of Economics, Stockholm, Sweden

<sup>c</sup> Department of Marketing, Örebro University, Örebro, Sweden

<sup>d</sup> The Ratio Institute, Stockholm, Sweden

<sup>e</sup> CTF, Service Research Center, Karlstad University, Karlstad, Sweden

<sup>f</sup> Department of Business Studies, Uppsala University, Uppsala, Sweden

<sup>g</sup> Department of Technology Management and Economics, Chalmers University of Technology, Gothenburg, Sweden

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## ABSTRACT

This article describes and discusses nominated procurement as a means through which buyers select sub-suppliers to achieve sustainability compliance upstream in emerging economies' supply chains. Hence, it critically examines the ways buyers articulate nominated procurement and the unfolding supply chain consequences. Based on in-depth interviews and fieldwork in the Sri Lankan apparel supply chain, the findings indicate that buyers accomplish sustainability compliance among their sub-suppliers while prioritizing their own business agenda. In doing so, however, buyers perpetuate "suboptimal compliance" of raw material suppliers and "sandwiching" of direct suppliers as harmful consequences on the supply chain. These consequences link theoretically with commercial, geographical, compliance and extended-compliance pressure. This article contributes to the advancement of the Sustainable Supply Chain Management literature by theorizing about nominated procurement, direct and indirect pressure, and pointing to the supply chain consequences beyond achievements in sustainability compliance.

## 1. Introduction

Due to recurrent industrial incidents affecting apparel supply chains in emerging economies, such as the Rana Plaza collapse in Bangladesh (Fontana & Egels-Zandén, 2019), downstream international buying firms (hereinafter: buyers), such as clothing brands and retailers, are gradually being held responsible for managing sustainability compliance (hereinafter: compliance) upstream in the supply chain (Andersen & Skjoett-Larsen, 2009; Gadde & Jonsson, 2018; Goworek et al., 2018; Karaosman, Perry, Brun, & Morales-Alonso, 2018; Turker & Altuntas, 2014). This responsibility includes ensuring minimum environmental and social standards, not only among first-tier supplier firms (hereinafter: direct suppliers) but also along the entire supply chain (Crespin-Mazet & Dontenwill, 2012; Gimenez & Tachizawa, 2012; Harwood & Humby, 2008; Ponte & Cheyns, 2013).

Ensuring second-tier supplier (hereinafter: sub-supplier) compliance

is particularly salient because "it is at this stage that the majority of natural resources tend to be consumed" (Mena Humphries, & Choi, 2013:72) and this is "where the majority of [human] production activities occur" (Soundararajan & Brammer, 2018:55). However, much of the Sustainable Supply Chain Management (hereinafter: SSCM) literature indicates that attaining compliance in supply chains remains challenging, often exacerbated by the low visibility and geographical dispersion of sub-suppliers (Foerstl, Azadegan, Leppelt, & Hartmann, 2015; Gereffi & Lee, 2012; Grimm, Hofstetter, & Sarkis, 2018; Turker & Altuntas, 2014; Wilhelm, Blome, Wieck, & Xiao, 2016).

As a means to ascertain compliance, buyers are held accountable in the literature for the entire supply chain upstream. In practice, there is an increasing focus on how parties refer sub-supplier compliance to their direct suppliers as a domino-pattern of accountability. Still, firms could choose to implement alternative measures (Alexander, 2020; Briscoe, Dainty, Millett, & Neale, 2004; Chowdhury, Dewan, & Quaddus, 2013),

\* Corresponding and first author at: Sasin School of Management, Chulalongkorn University, Sasa Patasala Building, Soi Chula 12, Phyathai Road, Pathum Wan, 10330, Bangkok, Thailand.

E-mail addresses: [enrico.fontana@sasin.edu](mailto:enrico.fontana@sasin.edu) (E. Fontana), [Christina.Oberg@oru.se](mailto:Christina.Oberg@oru.se) (C. Öberg), [leon.poblete@chalmers.se](mailto:leon.poblete@chalmers.se) (L. Poblete).

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which have presumed and distinct effects in terms of compliance. Indeed, the authors of this article discovered that some buyers *nominat*e their sub-suppliers; that is, buyers select sub-suppliers and require that their direct suppliers source from these sub-suppliers. This realization inspired this research study.

Most studies to date stress direct supplier accountability for their sub-suppliers (Assländer, Roloff, & Nayır, 2016; Soundararajan & Brammer, 2018; Wilhelm, Blome, Bhakoo, & Paulraj, 2016), and have not examined buyer nomination of sub-suppliers and how this impacts compliance and the supply chain. The purpose of this article is to describe and discuss nominated procurement as a means to achieve compliance upstream emerging economies' supply chains. As such, the aim is to advance SSCM literature and answer recent calls to investigate the ways in which buyers extend their control upstream to manage sub-supplier compliance (Foerstl et al., 2015; Wilhelm, Blome, Bhakoo, et al., 2016).

This article addresses the following two research questions:

- (1) How do buyers articulate nominated procurement in an emerging economy supply chain?
- (2) What are the consequences of nominated procurement on the supply chain?

In addition to recurrent industry incidents and the increasing attention that is being given to business and society concerns, buyers are increasingly using accountability measures and outsourcing compliance in an attempt to dilute their responsibility for the whole supply chain. This makes nominated procurement an issue of high practical importance. Empirically, this research draws on qualitative fieldwork and interviews with senior managers from buyers, their direct suppliers, and nominated sub-suppliers in the apparel supply chain in Sri Lanka, an emerging economy. This context represents a timely and revealing field to inquire about nominated procurement and its consequences for different reasons.

The Sri Lanka apparel supply chain has widely adopted nominated procurement and is deemed an example of excellence in South Asia for compliance (Jayasinghe, 2016; Kelegama, 2009; Ruwanpura & Wrigley, 2011). Initiatives such as “Garments without Guilt” have helped to promote Sri Lanka as “a production destination concerned with ethical production, increasing workers’ quality of life, and poverty alleviation” (Ruwanpura, 2016:424). A few scholars, however, warn that low prices from buyers could exert negative pressure on compliance efforts (Pathirana & Heenkenda, 2011; Ruwanpura & Wrigley, 2011). This potential outcome suggests that nomination may be linked with other interests over and above compliance, with important supply chain consequences, as discussed in this article.

From a theoretical perspective, this article contributes to the SSCM literature by theorizing about *nominated procurement*. Specifically, this research study informs that buyers articulate nominated procurement as a means to ensure sub-supplier compliance, but also to prioritize their own market agenda, which fosters *suboptimal compliance* along the supply chain. By conceptualizing *sandwiching* – a method whereby suppliers are squeezed by their buyers and excluded from taking part in decisions regarding the nomination of sub-suppliers – this article then elucidates the tensions related to nominated procurement and how these tensions can jeopardize the stability of the supply chain. This finding highlights the importance of reconfiguring nominated procurement as a more balanced and interdependent process that allows equal participation of all firms involved. Taken together, this article develops ideas on direct and indirect pressure, and on how compliance is utilized opportunistically by buyers for instrumental gain, at the cost of supply chain stability.

The remainder of this article is organized as follows: Section 2 introduces the literature on SSCM and business networks, and delves into compliance and nomination as the theoretical pillars of this study; Section 3 describes the research process and the methods used to gather

the empirical material; Section 4 sets out the research findings; Section 5 discusses the results; and Section 6 considers the consequences for theory and practice, before suggesting avenues for future research.

## 2. Background and conceptual framework

### 2.1. Theoretically framing sub-supplier compliance

SSCM pertains to “the management of material, information, and capital flows as well as cooperation among companies along the supply chain” while pursuing “economic, environmental, and social goals” (Seuring & Müller, 2008:1700). By attempting to explicitly advance these sustainability or triple bottom line goals in redesigning the supply chain, SSCM has evolved into a fundamental field of research (Sarkis, Zhu, & Lai, 2011).

The SSCM literature, more significantly, indicates that accomplishing these triadic goals requires an understanding of how a firm carries responsibility for the activities of other parties, that is, how other parties *comply* with that firm’s responsibilities as they are distributed along the supply chain. Compliance is broadly defined by SSCM scholars as the alignment of economic, environmental, and social goals, thereby ensuring minimum standards with regards to, for example, pollution levels and wages (Foerstl et al., 2015).

Despite the importance of demonstrating compliance in order for multi-tier suppliers to sell their products and for buyers to legitimize their operations (Andersen & Skjoett-Larsen, 2009; Gereffi & Lee, 2012; Wilhelm, Blome, Bhakoo, et al., 2016), ascertaining compliance in the supply chain remains challenging (Crespin-Mazet & Dantenwill, 2012; Gadde & Jonsson, 2018; Ponte & Cheyns, 2013). SSCM scholars note that tensions and trade-offs between commercial benefits and costs often fuel a lack of compliance (Goworek et al., 2018; Harwood & Humby, 2008; Karaosman et al., 2018; Turker & Altuntas, 2014).

The most notable compliance breaches are attributed to sub-suppliers upstream in the supply chain (Grimm et al., 2018). Recent events, such as the Rana Plaza incident in Bangladesh where a sub-supplier factory collapsed, killing more than 1100 workers, shed light on the lack of sub-supplier compliance in apparel supply chains (Fontana & Egels-Zandén, 2019). Given the “low risk of being penalized” (Villena & Gioia, 2018:74) and the lack of visibility from buyers (Foerstl et al., 2015; Wilhelm, Blome, Bhakoo, et al., 2016), sub-suppliers are frequently accused of passivity and opportunism (Foerstl et al., 2015; Leppelt, Foerstl, & Hartmann, 2013). These points highlight the difficulties of ensuring sub-supplier compliance.

Although the SSCM literature assumes that buyers are unable to manage the entire supply chain on their own (Assländer et al., 2016; Leppelt et al., 2013), it has proposed two contrary compliance approaches (Mena et al., 2013; Tachizawa & Wong, 2014; Wilhelm, Blome, Bhakoo, et al., 2016). The traditional and most-widely studied approach is based on the collaboration of buyers with direct suppliers to make them *accountable* for their sub-supplier compliance (Foerstl et al., 2015; Grimm, Hofstetter, & Sarkis, 2016; Grimm et al., 2018; Soundararajan & Brammer, 2018). This unfolds as each party upstream in the supply chain holds the next one accountable, as a domino effect. Against this backdrop, buyers view direct suppliers as conduits (Wilhelm, Blome, Bhakoo, et al., 2016) or key bridges (Mena et al., 2013) that help them ensure sub-supplier compliance from upstream. Critiques, however, express caution about delegating accountability to direct suppliers because of the risks to buyers. Buyers may not only lose visibility of sub-supplier compliance, but also an awareness of costs, commercial issues, and the ability to innovate (Choi & Linton, 2011).

The second approach deals with the ways in which the buyer can establish direct relationships in a network structure which includes sub-suppliers (Alexander, 2020). This approach may require the buyer to take responsibility by creating common compliance norms along the supply chain (Briscoe et al., 2004), expecting parties upstream to simply adhere with its requirements (Villena & Gioia, 2018), or selecting multi-

tier suppliers that exhibit a compliance orientation (Crespin-Mazet & Döntenwill, 2012).

While these ways of handling compliance along the supply chain share some characteristics with nominated procurement, they do not explicitly refer to the circumstance in which buyers select sub-suppliers with the purpose of ensuring higher compliance. They also do not consider suppliers and sub-suppliers in emerging economies, nor take account of the additional complexities that relate to contextual distance and variance in norms and regulations. Perhaps more problematically, these approaches do not elaborate upon the broader consequences that might ensue, not only with regard to compliance but also with regard to potential supply chain effects. These are issues that this article sets out to address.

## 2.2. Theoretically framing pressure and sub-supplier nomination in supply chains: a business network approach

Accountability has been a dominating idea, in terms of how to obtain compliance in supply chains (Foerstl et al., 2015; Grimm et al., 2016; Grimm et al., 2018; Soundararajan & Brammer, 2018). Accountability may entail both proactive and reactive measures, where proactiveness can manifest as pressure and reactivity as control. Pressure can be understood as a ‘demanding or stimulating situation’ in SSCM, which is then translated into policy on social responsibility (Walker, di Sisto, & McBain, 2008; Wycherley, 1999). Meanwhile, control refers to reactive intermediations with potential punishment as its consequence. Once a buyer no longer directly holds the next party in the upstream supply chain accountable, as demonstrated through nomination, the focus turns to pressure manifested through the selection of sub-suppliers.

Pressure has been shown to have a moderating impact on sustainability practices and outcomes (Zhu & Sarkis, 2006). For instance, Zhu, Sarkis, and Lai (2007) argue that increasing pressure from opposite ends of the supply chain prompts Chinese automobile supply chain managers to implement green supply chain management practices and, in so doing, improve both economic and environmental performance. Research also demonstrates that pressure in supply chains drives sustainable production and process innovation (Preuss, 2007). Collins, Lawrence, Pavlovich, and Ryan (2007) explore the extent to which firms are influenced by external and internal pressure to adopt sustainable practices in New Zealand. They propose that the adoption of sustainability programs hinges on the pressure to execute environmental and social activities.

In theoretical studies on pressure as a proactive means of achieving compliance, pressure works better when associated with high trust for direct suppliers and sub-suppliers. In describing its positive effects, for instance, Preuss (2007) explains how greater freedom is key to help parties to navigate their mutual issues. Trust emerges as the tool through which proactivity is communicated and, if functioning well, through which a firm is selected. If, however, trust is absent and if selections are based on divergent parameters, issues are likely to arise. Linking pressure with the nomination of sub-suppliers in emerging economies raises additional concerns that require consideration, which pertain to geographical distance and the indirect relations between buyers and sub-suppliers.

In order to fully comprehend the *indirectness* of buyers and sub-suppliers, the research stream on business networks functions as a point of departure (Anderson, Håkansson, & Johanson, 1994). Research on networks is particularly suitable because indirectness is rarely problematized in relation to supply chains, and this research departs from the notion that trust provides the basis of the relational connections that form between firms (Andersson & Mattsson, 2010; Baraldi, Havenvid, Linné, & Öberg, 2019; Baraldi, Gressetvold, & Harrison, 2012; Öberg, 2010). Business networks are defined as spatial structures constituted by relational interdependencies between embedded actors (Andersson & Mölleryd, 1999; Brennan & Turnbull, 2002). Business network research has focused on how parties are interconnected, where interconnectivity

means that decisions made in one business relationship affect other relationships. This has opened the way for research on the consequences of nomination on the supply chain. Rather than passively adapt, the *interconnectivity* and interdependence of firms suggests relational reciprocity (Olsen, Prenkert, Hoholm, & Harrison, 2014). Hence, a focal firm “manages in business networks” rather than simply managing business networks (Ritter, Wilkinson, & Johnston, 2004:175), based on assumed reactions, parallel behaviors and assumptions. As the business network literature operationalizes supply chains as linear networks, interconnectivity implies that a buyer can exert influence over sub-suppliers even though they may lack a direct commercial business relationship with them (Andersson, 2012; Andersson & Mattsson, 2010; Baraldi & Ratajczak-Mrozek, 2019; Öberg, Høge-Brodin, & Björklund, 2012).

Against this backdrop, the business network literature showcases numerous accounts of pressure. On the one hand, firms that successfully respond to pressure do so through “indirect counterpart inclusion” in which the focal firm is able to compare, discuss and alter strategies with both closer and more distant firms in the business network (Harrison, Holmen, & Pedersen, 2010). On the other hand, less successful outcomes in response to pressure seem to arise in situations where there has been a failure of cooperation and trust between buyers and their multi-tier suppliers (Öberg, 2010). Pressure can also result in negative outcomes where buyers attempt to fully control their direct suppliers and sub-suppliers (Baraldi, Proença, Proença, & de Castro, 2014) and are more likely to materialize when a focal firm attempts to benefit unilaterally from a relationship rather than seeking to mutually benefit both parties (Abrahamsen & Håkansson, 2016).

Significantly, the ability of a focal firm to exert influence over closer or more distant firms is contingent upon its ability to garner support from them, which is higher when their relationships are strong and rooted in trust (Andersson & Mölleryd, 1999; Öberg, 2010; Talay, Oxborrow, & Brindley, 2018). If a focal firm gains an advantage at the expense of its closer or more distant firms, however, its relationships with those firms will inevitably deteriorate (Baraldi & Ratajczak-Mrozek, 2019; Welch & Wilkinson, 2005). This thus suggests that high levels of trust between firms could be an ideal, and potentially necessary, condition for nomination.

## 2.3. Synthesizing nominated procurement in SSCM

Nominated procurement, as a concept, is similar to that of the second approach to compliance, introduced above (Alexander, 2020; Briscoe et al., 2004; Crespin-Mazet & Döntenwill, 2012; Villena & Gioia, 2018). It, however, differs in that direct – horizontal or vertical – relationships are not established merely for the sake of sub-supplier compliance. As illustrated by business network research, indirectness is rather connected with expected consequences for both direct and indirect relationships (Anderson et al., 1994). The very idea of nominated procurement – buyers selecting sub-suppliers based on their own evaluations, while demanding that their direct suppliers source from them – emphasizes pressure as a proactive force which manifests in the selection of the sub-suppliers.

Previous research related to the second network-based approach to compliance, which focuses on the direct relationships established between buyer and sub-supplier, demonstrates that such arrangements can lead to higher levels of sub-supplier trust (Foerstl et al., 2015; Mena et al., 2013), mutual stewardship (Assländer et al., 2016), higher levels of compliance, and also corrective actions (Grimm et al., 2016; Tachizawa & Wong, 2014). Sub-suppliers benefit from a stable stream of production orders from direct suppliers, and are thereby incentivized to ensure compliance (Linton, Klassen, & Jayaraman, 2007; Nath, Eweje, & Bathurst, 2019; Villena & Gioia, 2018).

The establishment of direct relationships between sub-suppliers and buyer is, however, different from nominated procurement. Nominated procurement in relation to direct suppliers and sub-suppliers has rarely



been researched in distanced emerging economy settings (Foerstl et al., 2015; Grimm et al., 2016, 2018; Leppelt et al., 2013; Mena et al., 2013). Studying nominated procurement in the apparel supply chain of emerging economies, specifically, is of particularly high practical relevance because of the substantial environmental and social problems related to the apparel industry in these economies (Ponte & Cheyns, 2013; Talay et al., 2018; Turker & Altuntas, 2014). Furthermore, the consequences of nominated procurement on other firms in the supply chain, including not only direct suppliers but also raw-material suppliers, are unknown. Fig. 1 compares the traditional approach with nominated procurement as a means of managing sub-supplier compliance.

### 3. Research methods

This research employs a qualitative, explorative, and inductive methodology, grounded empirically in the apparel supply chain of Sri Lanka. Qualitative inductive research is suitable in distilling theory from nascent concepts, and in tracking previously unidentified relationships that are distinctive or sensitive (Eisenhardt, Graebner, & Sonenshein, 2016), such as compliance in apparel supply chains (Soundararajan & Brammer, 2018). Hence, the aim in employing this methodology is to investigate the phenomenon in its natural setting, delving into the causal mechanisms of nominated procurement from a single industry sample (Yin, 2003).

#### 3.1. The empirical stage: Linking the Sri Lankan apparel supply chain with SSCM research

The Sri Lanka apparel supply chain represents an environment in which nominated procurement is widely adopted and is deemed a best practice example of compliance in South Asia (Jayasinghe, 2016; Kelegama, 2009; Ruwanpura & Wrigley, 2011). After a civil war that devastated the country for over 30 years, Sri Lanka has become a success story. Its annual economic growth of about 5.6 percent between 2010 and 2018 has helped Sri Lanka curb extreme poverty and has enhanced its status as one of the most advanced emerging economies in South Asia for health, education, and social protection (World Bank, 2019).

Crucially, its economic prowess has been supported by its export-oriented apparel supply chain, which reached US\$5 billion turnover in 2018 (Sri Lanka Apparel, 2019). Although it maintains similar labor and production costs to other manufacturing centers in South Asia (Athukorala & Ekanayake, 2018; Perry, Wood, & Fernie, 2015), the Sri Lanka apparel supply chain has gained a reputation for its ethical production practices. This is predominantly thanks to its compliance efforts (Kelegama, 2009), which include “promoting and protecting ethical labor standards” (Ruwanpura & Wrigley, 2011:1031). Industry-wide initiatives such as “Garments without Guilt,” supported by local apparel associations, have substantially contributed to integrating compliance in its apparel supply chain (Ruwanpura, 2016). While numerous accounts subscribe to the general view that Sri Lanka is a premium manufacturing hub where buyers “pay higher prices” for its ethics (Jayasinghe, 2016:664), other narratives caution that the ethical engagement of its multi-tier suppliers may be under pressure, as they compete on low prices that “play a vital part in winning the order” (Pathirana & Heenkenda, 2011:84). Ruwanpura and Wrigley (2011), for instance, have redefined the apparel supply chain in Sri Lanka as a contentious field because multi-tier suppliers suffer from low remuneration, which may potentially result in compliance breaches.

While endorsing the literature that argues that South Asian countries are fundamental contexts to observe the implementation of compliance through buyer–supplier relations (Awan, Kraslawski, & Huiskonen, 2018a; Awan, Kraslawski, Huiskonen, & Suleman, 2020; Awan & Sroufe, 2020), this article contends that the Sri Lankan apparel supply chain represents an optimal and timely field of inquiry for SSCM research to scrutinize nominated procurement. This is particularly so because of the contrasting debates related to its adoption in practice.

#### 3.2. Theoretical sampling

The data collected for this article predominantly comprises interviews, complemented by participatory observations, notes, and visual material (informant sketches), all reinforced by continuous informal conversations over time. To increase the rigor and internal validity of the sample (Yin, 2003), the informants were recruited based on four criteria.

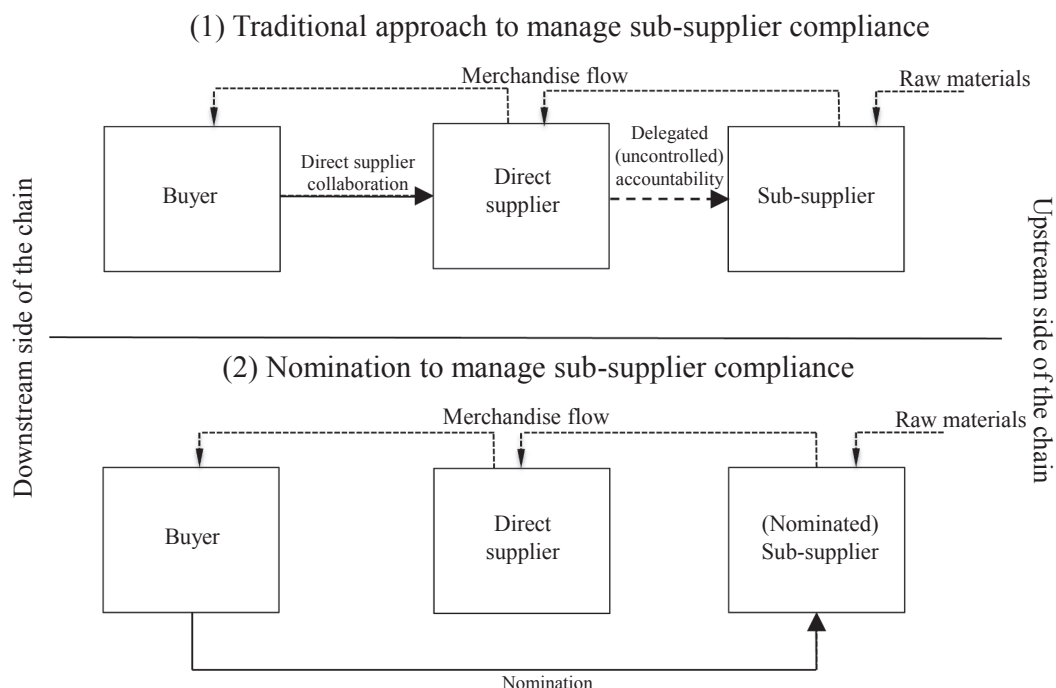


Fig. 1. Traditional approach and nomination.

First, and in line with Ketokivi and Choi (2014:234) call to perform fieldwork in SSCM research that “pays heed to contextual idiosyncrasies,” only Sri Lankan natives operating in the Sri Lankan knitwear (apparel) and export-oriented supply chain were recruited. In order to ensure that the informants were physically reachable, they were located solely within the capital, Colombo, or within two hours’ drive from the city.

Second, recruitment focused on senior managers with extensive professional experience and decision-making influence because of the research intention to capture the rhetoric and organizational viewpoint on nominated procurement. This follows Awan et al. (2018a) methodological point that senior managers are particularly suitable for studies on the implementation of compliance, given their deep knowledge of buyer–supplier relationships. Hence, informants operated both *in situ* within their own organization and with collaborating organizations.

Third, the study only included informants open to having ongoing informal conversations and follow-up inquiries after the initial interview, as fieldwork compels “moving back and forth between inductive, open-ended encounters to more hypothetical-deductive attempts” (Patton, 2002:274).

Finally, and as noted in Fig. 2, the study recruited only informants from organizations (buyers, direct suppliers, nominated sub-suppliers and NGOs) operating as part of the same apparel supply chain. Buyer 1 and Buyer 2 nominated the same sub-suppliers and used the same direct suppliers. Likewise, the NGOs involved cooperated with these same sub-suppliers and direct suppliers to ascertain compliance. This elucidates Baraldi et al. (2014) point on the salience of capturing the perspectives of all parties to ensure bipartisanship, while also drawing boundaries to ensure that only informants with active and existing business exchanges are selected. For instance, five additional interviews were conducted with five informants from two additional direct suppliers in Sri Lanka, but these interviews were later excluded as these direct suppliers did not work with the buyers and sub-suppliers selected. This decision follows Eisenhardt et al. (2016) point that a qualitative lens on a narrow and coherent set of informants, rather than a large sample of data points, helps generate deeper insights for theory building.

Buyer 1 and Buyer 2 are two major clothing brands. While headquartered in the United States and the United Kingdom respectively,

they are globally renowned for lingerie and womenswear. The three direct suppliers in this study are among the largest employers in Sri Lanka and are often defined as the country’s pioneers in apparel manufacturing. Each of them has a strict compliance agenda and has been exporting globally for decades. Although the sub-suppliers are much smaller in size and capacity, they pride themselves on delivering complex designs and customized finishing while complying with minimum environmental and social standards, and on offering job opportunities outside Colombo. NGOs 1 and 2 operate locally with sub-suppliers and direct suppliers to ensure worker well-being and to monitor environmental pollution. Interviewing two leading NGO senior managers involved in SSCM cooperation with all of the multi-tier suppliers of the sample was pivotal in increasing objectivity and validating results (Crespin-Mazet & Dontenwill, 2012; Pagell & Wu, 2009; Ponte & Cheyns, 2013).

### 3.3. Data collection

The data collection process was divided into four stages. During the initial stage in Spring 2016, 15 informants were contacted via e-mail and telephone after searching their contact information online. Five of them agreed to respond and formed the first pilot sample. They were offered data confidentiality and non-disclosure as part of the ethics of the research process. All informants were given a description of the project themes and were asked candidly whether they felt they could discuss these themes, given their professional role.

The pilot sample was interviewed as part of the second stage in July 2016. In line with Awan, Kraslawski, and Huiskonen (2018b), the first interviews were key in order to test and further develop the interview protocol. It was particularly important for the research to then access additional informants from organizations within the same supply chain. The snowballing method was fundamental in finding another 10 informants from direct suppliers, buyers, nominated sub-suppliers, and NGOs. In total, 15 interviews were completed, including one visit and participatory observation at a direct supplier’s manufacturing facility. At this stage, the first author had access to the professional community of Colombo, attending NGO programs and events involving senior managers and academics.

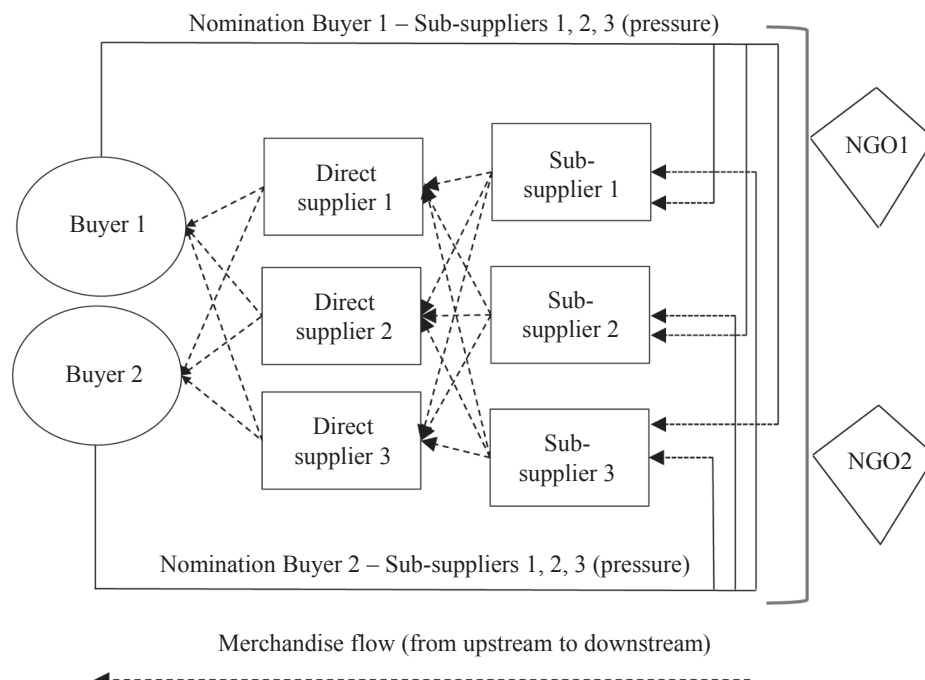


Fig. 2. Network of organizations.

The third stage took place between early 2017 and late 2018 and focused on elaborating upon the data already collected. This stage involved informal follow-up contact with informants via e-mail and phone to discuss the authors' inferences and information that may have been sidelined during the interviews. While conducting one additional interview with one informant, this stage allowed the authors to hint at preliminary conclusions.

During the fourth and final stage of the research in December 2018, five additional interviews were completed. Three nominated sub-supplier facilities were also visited, and the results were discussed with some of the informants previously interviewed in 2016. As part of these interviews, the informants were asked to draw on paper their thoughts on nominated procurement, helping visualize the study results. During this period, the third author attended a SSCM-focused event near Colombo, meeting with senior managers and academics. Theoretical saturation was reached at the end of the fourth stage (Guest, Bunce, & Johnson, 2006).

As illustrated in Table 1, 20 in-depth and open-ended interviews were conducted with an eclectic group comprising 18 informants from 10 distinct organizations. The interviews comprised three informants working for three buyers, 10 informants from three direct suppliers, three informants from three nominated sub-suppliers, and two informants from two non-governmental organizations (NGOs). Nineteen of these interviews were conducted formally and face-to-face in Sri Lanka during 2016 and 2018, and were discussed among the authors before and after their completion. One interview was conducted via video conference to accommodate the informant's schedule.

Additional and ongoing informal conversations with all informants were conducted via e-mail and phone after their interviews between the second and fourth stage of the research process. These were salient to reinforce and validate results over time, particularly concerning the consequences of nominated procurement on the supply chain. These conversations were also important to communicate the emerging results to the informants who affect and are affected by nominated procurement in their everyday business activities and who expressed a desire to remain updated about the research process.

The interview protocol comprised open-ended and semi-structured questions (Appendix 1) designed to garner informants' rhetoric and understand their motivations (Patton, 2002). The interviews were conducted formally on a one-to-one basis in English and lasted, on average, 74 min – from a minimum of 40 min to a maximum of 135 min, excluding informal discussions. Four manufacturing facilities were accessed, one belonging to a direct supplier and three belonging to three

nominated sub-suppliers. In line with Patton (2002), the authors stayed at the factory for most of the day of the visit. They conducted participatory observations, had lunch with the factory management, and openly discussed ideas with them.

### 3.4. Data analysis

All of the interviews were recorded and transcribed. Gioia, Corley, and Hamilton (2013) method was adopted to analyze the data, as it ensures the rigor of the qualitative analysis and builds on Corbin and Strauss (2008) notions of open coding and axial coding. The transcripts were read by the authors multiple times in an iterative fashion. This iterative process helped identify nascent ideas and specific themes, which were manually coded, reread, and imported into a customized Microsoft Excel file tailored to register the authors' evolving interpretations of the data and experiences on the topic, linking them with the nascent codes as a means of comparing and contrasting the ideas and themes.

Given the attention on nominated procurement and compliance, the analysis was conducted within the space created through these two frames, as guided by the interview protocol. In line with induction in qualitative studies, however, the authors focused on all possible responses for the step-by-step development of codes and themes in the analysis.

The interview data were systematically supplemented and triangulated with a rich amount of additional information in order to improve theory building and congruence (Flick, 2004). This additional data included handwritten notes and memos taken during the interviews, informal conversations, e-mail correspondence, participatory observations at the manufacturing facilities, available annual sustainability reports for all of the direct suppliers and buyers involved in the study for the past five years, material collected from SSCM events, and conferences attended during the fieldwork, as well as the visual sketches created by the informants. Field notes also included the authors' positive and negative feelings experienced during the interviews and visits.

As illustrated in the data structure (Fig. 3), the data process analysis unfolded through a granular and three-step methodology (Patton, 2002), which involved open coding, axial coding (theoretical codes, Eisenhardt et al., 2016), and formation of aggregate dimensions. Open coding was first conducted to unpack the first-order concepts. This involved tracking the empirical accounts while strictly adhering to the informants' explicit terms, disclosed through their rhetoric (Gioia et al., 2013). Commonalities and discrepancies among first-order concepts

**Table 1**  
Sample of organizations and respondents.

Type	Name	Employees	Respondent	Interview location	Interview date	#
Clothing brands as international customers (ICs)	Buyer 1 (US origin)	20k+	Director of Merchandising	Colombo City (Main office)	Jul 2016	1
			Division Manager of Raw Materials	Colombo City (Main office)	Dec 2016	2
	Buyer 2 (UK origin)	28k+	Human Resource Director	Colombo City (Main office)	Jul 2016	3
Direct (first-tier) suppliers	Direct supplier 1	40k+	Group Head of Supply Chain	Colombo City (Headquarters)	Jul 2016	4
				Colombo City (Headquarters)	Dec 2018	5
			Head of Sustainable Development	Colombo City (Headquarters)	Jul 2016	6
				Video conference	Jan 2018	7
			Head Corporate Planning	Colombo City (Headquarters)	Jul 2016	8
	Direct supplier 2	90k+	Chief Financial Officer	Colombo City (Headquarters)	Jul 2016	9
			Human Resource Director	Colombo City (Headquarters)	Jul 2016	10
			Director of Environmental Sustainability	Colombo Outskirts (Outer Facility)	Jul 2016	11
			Environmental Engineer	Colombo Outskirts (Outer Facility)	Jul 2016	12
			General Manager	Panadura Area (Factory)	Jul 2016	13
Nominated (second-tier) sub-suppliers	Direct supplier 3	100k+	Product Manager	Panadura Area (Factory)	Jul 2016	14
			Environmental Manager	Colombo City (Headquarters)	Jul 2016	15
			General Manager	Horana Area (Factory)	Jul 2016	16
			Chief Operating Officer	Pugoda Area (Factory)	Dec 2018	17
			Sales and Marketing Manager	Malwana Area (Factory)	Dec 2018	18
Non-governmental organizations	NGO1	N.A.	Chief Executive Officer	Colombo City (Headquarters)	July 2016	19
	NGO2	N.A.	Country Director	Colombo City (Headquarters)	July 2016	20

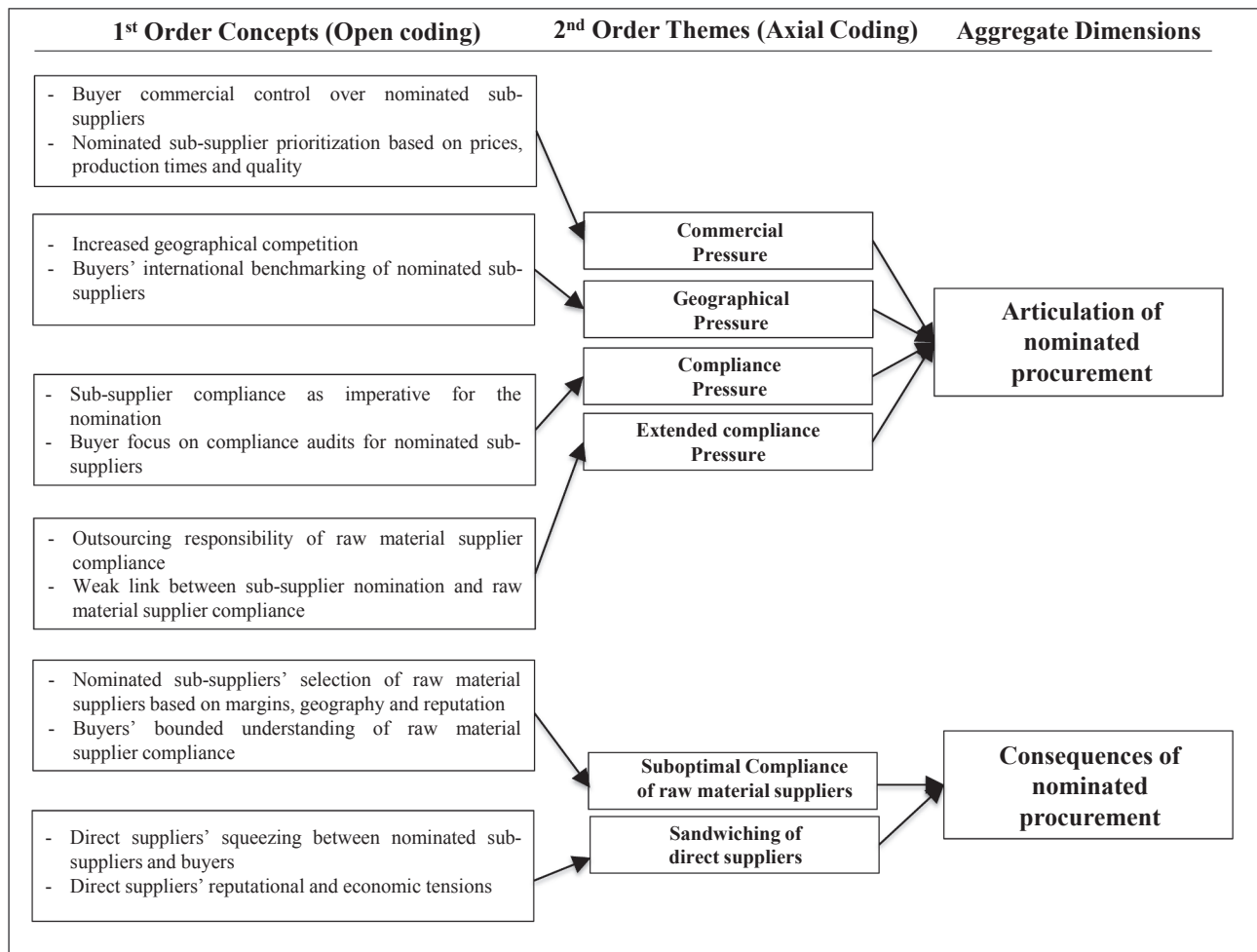


Fig. 3. Data structure.

were considered, in association with the focus on nominated procurement. Open codes were grouped together in more defined and manageable groups, reducing the number of first-order concepts (Corbin & Strauss, 2008). Over 50 first-order code category concepts were compiled through this step.

While trying to interpret the nascent theoretical models, axial coding was conducted to capture firmer second-order theoretical themes. For instance, in yielding the second-order and abstract theme “Sandwiching of direct suppliers,” the analysis built on the first-order descriptive concepts that indicated the difficult “in-between” position of direct suppliers vis-à-vis buyers and sub-suppliers. These included, for instance, “direct suppliers’ squeezing between nominated sub-suppliers and buyers,” and “direct suppliers’ reputational and economic tensions.”

In the final step, the axial coding procedure linked back to the two main themes of this article framed through the research questions (articulation of nominated procurement and supply chain consequences, respectively). While codes were produced as first-order and axial codes, the presentation of findings in this article returns to the data and uses direct quotations as a means to convey direct meanings from the disparate perspectives of buyers, direct suppliers, sub-suppliers, and NGOs.

Following the coding process, the authors discussed final coding structures and presented preliminary findings to peer researchers in order to verify the meanings. Conclusions were juxtaposed with prior research to corroborate the research gap and theoretical contributions.

## 4. Empirical findings

The findings presented in this section are organized around the two main themes related to the research questions and indicated in Fig. 3: *Articulation of nominated procurement* and *Consequences of nominated procurement*.

### 4.1. Articulation of nominated procurement

Buyers’ articulation of nominated procurement strictly hinges on how they organize for sub-supplier compliance in the supply chain, where *compliance pressure* represents the key idea of the nomination. This initially emerged as the buyers selected sub-suppliers for the nomination, based on their ability to fulfill and maintain compliance requirements. The Director of Merchandising at Buyer 1 expressed this as follows: “We nominate the sub-supplier factories with the highest compliance, quality standards and ethics.” After an initial screening, the buyers routinely audited the sub-suppliers. This means that compliance pressure also entailed expectations about accessing the factories and questioning compliance: “We have a compliance officer who goes around. Even the printing plants are evaluated and monitored. For all requirements, like eco-friendly and weekly checks, they have to be compliant” (Director of Merchandising, Buyer 1) and “we have a compliance team, and they collaborate with the nominated sub-supplier base. They are on top of it” (Human Resource Director, Buyer 2). Compliance pressure on the sub-suppliers materialized most evidently after selection, as they needed to constantly demonstrate that they fulfilled the compliance requirements in order to retain the nomination: “We are audited for various



compliance requirements from [buyers] to get nominated and keep the nomination. Practically, every customer does its own audit [...] If you are not compliant it is hard to do any business” (Chief Operating Officer, Sub-Supplier 2). Crucially, the pressure to be compliant prompted the nominated sub-suppliers to make substantial investments in order to make sure that they retained the nomination and continued to be regarded as a facility of “excellence.” As stated by the Country Director at NGO2: “Nominated [sub-supplier] factories in Sri Lanka are top notch. They have high safety measurements. Compliance is extremely high. This is the one thing about many Sri Lankan sub-suppliers. If you don’t have compliance you cannot work with [buyers].”

However, the emphasis on compliance emerged as only one of several aspects of buyers’ articulation of nomination procurement. The buyers also exerted *geographical pressure* in their decision to select sub-suppliers and maintain their nomination. However, they utilized market locations of production as a condition to consolidate their power. The buyers demanded that nominated sub-suppliers in Sri Lanka guarantee the same or superior conditions of sub-suppliers in other Asian regions. By selecting sub-suppliers purposely in Sri Lanka, in the same time, the buyers exerted peer pressure because of the country’s reputation of excellence. This also means that buyers expected compliance based on sub-supplier location. By exerting geographical pressure, the buyers obliged nominated sub-suppliers to continuously benchmark their product offerings with those of other nominated sub-suppliers but also non-nominated sub-suppliers in other Asian regions. This stoked competition between sub-suppliers, putting them under continuous strain. As the Chief Operating Officer at Sub-Supplier 2, emphasized: “The challenge of nomination is competition, because [buyers] are approached by Singaporean, Chinese and other countries’ [sub] suppliers, in terms of communication and relationship building [...] There are buyers we cannot dream of getting nominated from. Their prices are so low that only Pakistani or Bangladeshi [sub-supplier] factories can handle them.”

This last quotation shines a spotlight on a third aspect of nominated procurement: How the buyers utilized compliance as a pretext to encourage sub-suppliers to reduce prices. While advancing compliance arguments, they exerted *commercial pressure* on sub-suppliers in order to gain a business advantage. Commercial pressure encompassed not only price pressure but also the speed of delivery and quality of goods, as expressed by the Environmental Manager at Direct Supplier 3: “When [buyers] nominate sub-suppliers, it is not really for compliance. Quality, on time delivery, and price. These are three areas that the apparel [buyers] are looking at, without any conditions. Compliance as environmental and social engagement, it comes next.”

Both buyers and sub-suppliers alike corroborated the existence of commercial pressure at the foundation of nominated procurement, as the following quotations illustrates: “price benefits and speed benefits are of utmost priority when negotiating the nomination” (Division Manager of Raw Materials, Buyer 1) and: “from nominated sub-suppliers, we look for high reliability. This means time delivery, price and quality service. There are lots of quality standards we maintain. We are very particular about lines and stitching has to be perfect. Everything has to be perfect” (Human Resource Director, Buyer 2). Likewise, the General Manager, Sub-Supplier 1 pointed out that providing lower prices, faster deliveries, and higher quality goods was not only necessary for being selected for nomination but was imperative in maintaining nominated sub-supplier status: “to maintain the nomination, for each and every order, [buyers] want to see a discount. Every time you have to decrease the price. So, the margin is decreasing. With certain products we are working at a loss. This is the trend.” Subsequently, buyers used surveillance tactics on sub-suppliers to encourage price reductions, which the buyers then expected sub-suppliers to pass on to the direct suppliers, thus resulting in lower prices for buyers. Moreover, the prioritization of price over compliance was decisive for selecting and maintaining nominated sub-suppliers. While commercial pressure was much about continuous price reductions, compliance pressure was more about achieving expected levels of compliance.

The buyers also exerted geographical and commercial pressure in combination, as described by the Division Manager of Raw Materials at Buyer 1: “When it comes to nomination I ask, can you [nominated sub-supplier] in Sri Lanka give me the same price as my nominated [sub] suppliers in Vietnam at the same or better quality? If yes, then I keep considering you. Sometimes I go to nominated [sub] suppliers in other regions and ask, can you reduce your price? Because I have someone else giving me a lower price in Sri Lanka.” Whether a threat or an actual intention, this quote illustrates that the buyers did not consider sub-suppliers as collaborators with whom to establish long-term nominations. The distrust that exists between buyers and sub-suppliers arose from the buyers’ unrelenting focus on negotiating prices and their use of surveillance practices to ensure compliance, thereby increasing sub-suppliers’ perceived risk of being de-selected at any time.

As part of their articulation of nominated procurement, the buyers also exerted *extended compliance pressure* with the aim of making sub-suppliers accountable for the compliance of their raw material suppliers and accomplishing compliance along the supply chain: “Our nominated sub-suppliers have to have compliance certificates. We will not go and evaluate their yarn and chemical [raw material] suppliers. The responsibility for [raw material] supplier compliance is important but lies with each and every nominated sub-supplier.” (Division Manager of Raw Materials, Buyer 1). Hence, buyers delegated all responsibilities pertaining to raw material supplier compliance to nominated sub-suppliers. By framing them as “important but noncompulsory” (Director, Merchandising, Buyer 1), the buyers however assigned low priority to raw material supplier compliance when deciding upon nomination and did not always conduct follow up checks on such compliance. As epitomized by the Human Resource Director at Buyer 2: “I have no idea whether they [raw material suppliers] really do compliance work. We tell [nominated sub-suppliers] they should check. But we don’t nominate sub-suppliers based on that.”

In summary, and as indicated in Fig. 3, the buyers articulated nominated procurement in terms of exerting compliance, geographical, commercial, and extended compliance pressure. This articulation emphasizes that nomination was not solely based on achieving compliance and – as reflected in the discussion of extended compliance and the explanation that commercial gains were of more importance than compliance – they indicate that sustainability concerns were partly utilized to achieve further objectives. The result of the nomination criteria and process on sub-suppliers was continuous distrust of the buyers and a perceived risk of being replaced, reflecting not only the buyers’ need to assure compliance but also the price pressure exerted on the sub-suppliers.

#### 4.2. Consequences of nominated procurement

As noted above, the buyers did not require nominated sub-suppliers to share any compliance certificate for raw material suppliers. Consequently, the nominated sub-suppliers did not ask for them: “If your company wants to survive in this competition and win the nomination, you should have a very good margin from the [raw material] supplier, no matter what. Most raw materials are yarn. Yarn takes 50% of your costs. To minimize costs, we order from Thailand, China, and India.” (General Manager, Sub-supplier 1). And: “[Buyers] will tell us the standards, and we can purchase from anyone [raw material supplier]. We manage our own raw materials, but [buyers] don’t check. We then buy from India. We buy from Korea. China. Indonesia. And as long as the [minimum] quality test passes, it’s ok” (Sales and Marketing Manager, Sub-supplier 3). As these quotations indicate, *suboptimal compliance* appeared to be aggravated by buyers’ commercial and geographical pressure on nominated sub-suppliers and buyers’ lack of focus on the compliance of raw material suppliers. This resulted in nominated sub-suppliers searching for raw material suppliers in other Asian regions offering the lowest price, irrespective of compliance. The importance of compliance in relation to social conditions was notably minimized, as the Director of

Merchandising at Buyer 1 hinted: “We actually don’t look for social compliance as a qualification to do business with us.” This was confirmed by the Chief Operating Officer at Sub-Supplier 2: “We don’t get into the social side at all. [Buyers] inquire about our compliance as nominated [sub] suppliers. But they don’t check our [raw material] suppliers and their social activities. We also do not go and check the social compliance they have done. Not only us. Nobody does it, all over the apparel supply chain.” The unclear expectations of raw material supplier compliance along the supply chain resulted in suboptimal compliance. These vague expectations themselves were a result of buyers’ commercial pressure and their limited interest in following up on extended compliance.

Although the nomination of sub-suppliers led to supply chain consequences upstream in the supply chain, it also led to consequences in relation to direct suppliers: The direct suppliers became *sandwiched* or squeezed because of their intermediary position between their buyers and nominated sub-suppliers. As conceptualized in this article, sandwiching emerges when buyers exclude their direct suppliers from taking part in decisions regarding the nomination of sub-suppliers. This affected the direct suppliers in two ways: They perceived sandwiching as raising their *reputational risk*, since they were not able to co-manage compliance upstream in the supply chain; and they also perceived a *commercial risk*, as they were excluded from participating in the selection of sub-suppliers, thereby missing out on key economic opportunities.

In considering the reputational risk attached to a possible breach in compliance, the Director of Environmental Sustainability at Direct Supplier 2 explained that: “[Buyers] purchase from us as sustainable [direct] suppliers. Then they independently nominate [sub-]suppliers that source from noncompliant [raw material] suppliers. The problem is that not everyone is on the same playing field and our reputation is at stake.” The Environmental Manager at Direct Supplier 3 similarly stated that: “[Buyers] show they are sourcing from Sri Lanka, the most sustainable apparel hubs in Asia. In fact, chemicals go into the environment through uncontrolled [raw material] suppliers in China and other countries, which work with nominated sub-suppliers here. We are risking our face because of them.”

The reputational risk was also highlighted by NGOs: “In the apparel sector, you have huge problems with uncontrolled [raw material] suppliers. This system leads you to commit sins - because yarns [raw materials] come from outside. You tailor them here, you export them. The nominated apparel [sub-suppliers] invest in countries where they can get benefits rather than compliance, and buyers don’t seem to mind” (CEO, NGO 1). As a result, the de-prioritized compliance was perceived to be unambiguously problematic, while the direct suppliers also expressed concerns about the sub-suppliers.

As for the second – commercial – risk, the direct suppliers felt impotent to take action and that the buyers were squeezing their economic opportunities: “The problem is that negotiation, planning, and sourcing are done exclusively by buyers and nominated sub-suppliers. Buyers nominate sub-suppliers and tell them, ‘We are buying this much, and I want you to deliver it to the [direct] suppliers at this cost. I am going to give them this much.’ Then they tell us, ‘Source these textiles from these nominated [sub] suppliers.’ Commercially, we are excluded” (Head of Supply Chain Management, Direct Supplier 1). This was echoed by the Director of Environmental Sustainability at Direct Supplier 2: “Transparency has just started but our buyers and nominated [sub-]suppliers keep their decisions about nomination and their [raw material] suppliers very secret. They don’t disclose them. This puts us in an inferior commercial position.”

The buyers, in turn, clarified their view on the matter as follows: “They [direct suppliers] always come to us saying ‘We would like to nominate our own [sub-]suppliers.’ We specify that we don’t nominate for their strategy. We nominate for our strategy [...] [Direct] suppliers get only their picture. They prefer to work with the [sub] suppliers from which they get their own market benefits” (Division Manager, Raw Materials, Buyer 1).

## 5. Discussion

Traditional SSCM research has shown that buyers ensure supply chain compliance by either holding direct suppliers accountable for sub-suppliers or establishing direct relationships with parties further upstream in the supply chain to create network structures of common norms (Mena et al., 2013; Tachizawa & Wong, 2014; Wilhelm, Blome, Bhakoo, et al., 2016). These schemes have brought limited results, while the natural environment and people continue to suffer, not least when production is outsourced to emerging economies. As sub-supplier compliance remains a critical feature of supply chains (Grimm et al., 2018; Soundararajan & Brammer, 2018; Villena & Gioia, 2018), this article advances SSCM scholarship by describing and discussing nominated procurement as a novel approach. This article elucidates how nominated procurement is articulated by buyers in their selection of sub-suppliers. It highlights the indirectness of parties and the existence of different types of pressure as proactive measures (Walker et al., 2008; Wycherley, 1999) to officially encourage sub-supplier compliance, while extending the focus to consider the accountability of raw material suppliers. As the findings indicate, sub-supplier nomination has underlying consequences for the entire supply chain, including raw material suppliers, sub-suppliers, and direct suppliers, which clearly extend beyond compliance. Fig. 4 depicts the types of pressure and consequences that are further discussed below.

### 5.1. Pressure exerted by buyers in the supply chain

While framing nomination as the pressure placed by buyers on sub-suppliers, the findings outline four types of pressure:

- *Compliance pressure* manifests when buyers require sub-suppliers to meet compliance standards as the official motive to gain and retain the nomination. This pressure can be defined as static because it relates to minimum requirements and creates a threshold for selection. In the buyers’ continued request for sub-supplier compliance reassurance, this pressure also involves aspects of reactive control and fuels a sense of transactional distrust between buyer and sub-supplier.
- *Geographical pressure* relates to buyers taking advantage of the distance between buyers and sub-suppliers in order to stoke competition between the nominated and non-nominated sub-suppliers in different geographical areas, while also using the reputation of Sri Lanka as a context to ensure compliance among the selected sub-suppliers. Compared to compliance pressure, the selection is here based on the country’s reputation of excellence for compliance. In contrast, the continuation of the nomination is achieved through peer-pressure and by threatening the nominated sub-supplier with de-selection based on comparison with alternative sub-suppliers.
- *Commercial pressure* arises as a means for buyers to achieve financial advantages and increase profitability. This is a dynamic pressure, as buyers exert increasing and continuous pressure for reductions in price. As such, commercial pressure involves aspects of geographical pressure in that the ability to deliver on requested price is linked to geographical parameters.
- *Extended compliance pressure* emerges as an extension of the accountability that buyers place on their sub-suppliers to ensure raw material supplier compliance. This pressure is indirect because it exerts pressure on sub-suppliers to be accountable for parties upstream in the supply chain. Despite its de-prioritization, extended compliance pressure also relates to commercial pressure, because the risk of non-compliance among raw material suppliers increases when sub-suppliers need to keep delivering price reductions.

In uncovering these different types of pressure, the findings demonstrate that buyers do not articulate nominated procurement, in terms of the achievement of sub-supplier compliance as the sole purpose

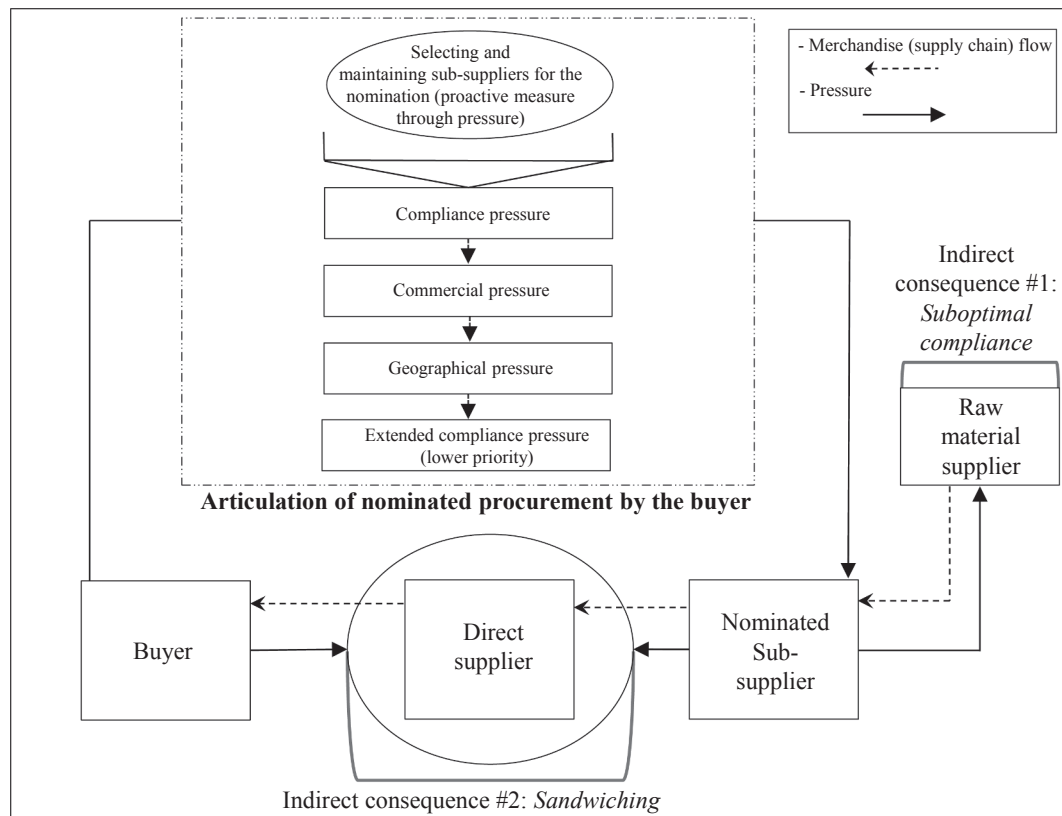


Fig. 4. Pressure and consequences.

and as officially posited. Although studies have shown that pressure has positive effects on compliance (Preuss, 2007; Zhu & Sarkis, 2006; Zhu et al., 2007) the findings discussed in this article suggest that such positive outcomes may not extend beyond sub-supplier compliance, because the parties are not able to establish a trusting relationship (Andersson & Mattsson, 2010; Baraldi et al., 2019). Instead, these positive outcomes are a consequence of the ways in which compliance pressure becomes interwoven with, and even subordinate to, other types of pressure. For instance, the sub-suppliers openly recognize the commercial and geographical pressure exerted by buyers to ensure lower prices and competitive conditions as an overt attempt by the buyers to take advantage of the nomination. Moreover, the risk of being replaced by another sub-supplier defines nomination as a here-and-now situation that is not aimed at producing longevity in the relationship between parties. The findings show that nomination prevents the building of trust and increased tensions. This lack of trust resulted in sub-suppliers taking advantage of the lower priority assigned by buyers to raw material supplier compliance, thereby undermining extended compliance pressure and adding the risk of suboptimal compliance in the supply chain.

In comparison with previous literature which suggests that compliance generates tensions as well as trade-offs in benefits and costs (Goworek et al., 2018; Harwood & Humby, 2008; Karaosman et al., 2018; Turker & Altuntas, 2014), this article illuminates how buyers actually exploit compliance requirements as a means to exert pressure for other outcomes. While aligning compliance with other types of pressure, this article thus shows how compliance requirements are manipulated in order to obtain instrumental benefits. This differs from seeking a trade-off between financial, environmental, and social goals, with tensions being distributed along the supply chain.

## 5.2. Indirect supply chain consequences

The findings identify two indirect supply chain consequences of

nomination: Suboptimal compliance of raw material suppliers and sandwiched direct suppliers. *Suboptimal compliance* of raw material suppliers is the result of commercial pressure exerted by buyers and the limited attention paid to raw material supplier compliance. Sub-suppliers feel pressure to reduce prices and therefore cannot afford to select the most compliant raw material suppliers. This price pressure, in addition to the low priority given by buyers to raw material supplier compliance, results in suboptimal compliance.

*Sandwiching*, as conceptualized in this article, describes how nomination can extend beyond pressuring sub-suppliers. Through their selection of sub-suppliers, buyers can *de facto* squeeze direct suppliers, which sit in an intermediary supply chain position between the sub-suppliers and buyers. Such sandwiching promotes further instability, tension, and distrust in the supply chain, while having consequences for the reputational and commercial efforts of direct suppliers. This finding supports the notion of interconnectivity of parties, as expressed in business network research (Andersson & Mölleryd, 1999). As explained by both direct suppliers and sub-suppliers, reputational risks at the level of the individual firm could potentially risk the country's reputation for compliance excellence. Arguably, the reputational risk is already high, given that sub-suppliers feel compelled to source raw materials from other countries due to the continuous pressure for lower and lower prices. Reputational risk was noted as a concern by the direct suppliers and is related to the geographical and commercial pressure exerted by buyers and negatively corresponds to compliance and extended compliance pressure given their lower priority. As a result, the commercial risk perceived by direct suppliers results from buyers' commercial pressure of sub-suppliers and their own gains. Hence, this article explains how tensions are experienced by each party along the supply chain.

## 6. Conclusions

This article describes and discusses nominated procurement as a means to achieve compliance upstream in emerging economies' supply chains. The following questions were raised:

- (1) How do buyers articulate nominated procurement in an emerging economy supply chain?
- (2) What are the consequences of nominated procurement on the supply chain?

Buyers articulate nominated procurement as involving four types of pressure: compliance, geographical, commercial, and extended compliance pressure. The impact on the supply chain of these pressures manifests as suboptimal compliance of raw material suppliers and the sandwiching of direct suppliers. Perhaps more significantly, these types of pressure and consequences are intertwined. It is evident that there is a complex pattern of interlinked pressures along the entire supply chain of raw material suppliers, sub-suppliers, direct suppliers, and buyers. The tensions between economic pressure and compliance pressure cause *direct* and *indirect* pressure along the supply chain. Although there is no direct business connection between the parties, the buyer exerts direct pressure on the sub-suppliers. This *direct* pressure passes on in the form of *indirect* pressure on raw material suppliers and direct suppliers, respectively. The dynamic commercial pressure, camouflaged as compliance, generates distrust along the length of the supply chain and creates short-term and opportunistic orientations in all parties.

## 7. Theoretical contributions

This article identifies six central components of nominated procurement: compliance pressure, commercial pressure, geographical pressure, extended compliance pressure, suboptimal compliance, and sandwiching. The combination of these components creates tensions among the parties along the supply chain and leads to distrust, reflected in behaviors that downplay compliance for instrumental gains. The theorizing of nominated procurement as a form of direct and indirect pressure – conflated with the complex interplay between different types of pressure, priorities, and supply chain consequences, which include suboptimal compliance and sandwiching – provides important contributions to SSCM literature. It does so through unpacking the tangible advantages and challenges related to compliance (Crespin-Mazet & Dontenwill, 2012; Gadde & Jonsson, 2018; Ponte & Cheyns, 2013). Employing accountability as the dominating approach for ensuring compliance (Foerstl et al., 2015; Grimm et al., 2016; Grimm et al., 2018; Soundararajan & Brammer, 2018) illustrates that compliance is interwoven with business exchanges and illuminates that actual compliance hinges on parties positioned elsewhere in the supply chain. Nomination allows buyers to take an active role upstream in the supply chain and disconnects compliance from direct business exchanges. This process helps to avoid what Choi and Linton (2011) describe as a loss of visibility and relieves direct suppliers from being exclusively accountable for the compliance of sub-suppliers (Wilhelm, Blome, Wieck, et al., 2016). That said, the gains of nomination include buyers' attempts to take advantage of compliance to camouflage intentions related to commercial benefits, which poisons the supply chain with opportunism and distrust. When buyers aim to ensure compliance to the extent of overshadowing and excluding their direct suppliers, their pervasive commercial opportunism may put compliance and the whole supply chain in jeopardy. Although concurring with extant SSCM literature that postulates that a wider network structure can help deliver higher sub-supplier compliance (Grimm et al., 2016), this article stresses that nominated procurement does not necessarily lead to a higher degree of supply chain integration (Briscoe et al., 2004) and stewardship (Assländer et al., 2016). This is because opportunism and the prioritization of commercial gains prevent the establishment of trust between the parties.

This research makes three main contributions to the literature. While studies on compliance have gained momentum in the SSCM literature, nominated procurement has not been explicitly investigated in previous research. Perhaps more problematically, extant studies have only barely been situated in emerging economies as key settings of inquiry. By showing the various types of pressure inherent in the process of nominated procurement and the resulting consequences which extend beyond compliance, this study reveals a holistic picture of complex patterns between pressure and consequences that are experienced over the entire supply chain. Not least, it contributes to the advancement of SSCM literature by theorizing about nominated procurement. In so doing, it draws attention to suboptimal compliance along the supply chain, as well as conceptualizing sandwiching as a method used by buyers to squeeze direct suppliers as they select sub-suppliers. Finally, by discussing the tensions that may foster instability in the supply chain, this article draws attention to the need in SSCM literature to seek balance between compliance and business objectives, and the importance of developing trust as a key component between parties in the supply chain.

### 7.1. Implications for managerial practice

Nominated procurement as a means to obtain instrumental gains results in suboptimal compliance upstream in supply chains, thereby engendering relational tensions, opportunism and risks of discontinuity. By describing and discussing nominated procurement, this article conveys fundamental guidelines for managers within buyer firms who source from apparel supply chains in emerging economies. The indirectness of parties, interconnectivities of actors and interdependences noted by business network scholars emerging from the empirical evidence presented in this article – as shown in Section 2.2 – highlight the problems of trust in supply chains. The pressure placed on raw material suppliers with regard to price, the ever-present risk of replacement experienced by sub-suppliers, the sandwiching of direct suppliers, and the commercial priorities of buyers severely inhibits any type of collaborative effort and, therefore, the generation of trust. Although business network research indicates that relational reciprocity replaces the need for auditing or surveillance of other parties, reciprocity does not crystallize if continuous and one-sided pressure continues to exist. Many of the current tensions, however, can be defused by reconfiguring nominated procurement as a more collaborative and balanced process where pressure is exchanged for trust without hindering it. This is a clear call to buyers' managers to delegate part of their decision-making to direct suppliers in order to increase opportunities for generating trust along the entire supply chain. Furthermore, it is important for these managers to recognize that nominated procurement can be used as a method to encourage social and environmental accomplishments in the upstream apparel supply chain. The power of buyers can be used positively to develop balanced relationships and to improve trust between parties in the supply chain and, at the same time, to help supply chain firms nurture social and environmental activism from upstream. This entails a change in focus of current conversations in the literature, away from pressure, opportunism and compliance as minimum buyer standards, and towards encouraging sustainability innovation as a mechanism to spearhead and co-create social and environmental solutions. While such a shift would inevitably benefit the Sri Lankan supply chain as a whole, it would also benefit buyers in a variety of ways. On the one hand, it would likely reduce buyers' financial expenditures by decreasing the costs of ongoing controlling, policing and switching. On the other hand, it would likely enhance performance indicators. It could foster a stream of new ideas on sustainability innovation from upstream, thereby helping buyers enhance their international credentials and increasing their participation in tackling grand societal challenges. It could also help buyers' managers improve their knowledge of the complex intricacies experienced by emerging economy players upstream, and give them a better understanding of these markets. This shift



in focus would require substantial commitment and a major assumption of responsibility on the part of the managers. Nonetheless, it would likely create long-term opportunities for all parties, while representing a stepping stone to effect positive change in supply chains.

## 7.2. Limitations and avenues for future research

This study is not without its limitations. First, it is based on fieldwork and interviews with informants from direct suppliers, sub-suppliers and NGOs, all based in Sri Lanka. Given the Sri Lankan context of excellence (Jayasinghe, 2016; Ruwanpura & Wrigley, 2011), these informants held compliance close to their hearts, but the extent to which they represent the apparel supply chain might be limited by geographical boundaries. Due to the qualitative and situated nature of the findings, further empirical studies are needed to verify, fine-tune, and compare insights on nominated procurement with informants from other geographical markets in the supply chain, particularly upstream raw material suppliers. To date, their contribution remains completely neglected in the SSCM literature.

Second, in line with previous literature, this article defined compliance in terms of minimum environmental and social standards (Gimenez & Tachizawa, 2012; Ponte & Cheyns, 2013). While this allowed a broader and more holistic approach to understanding the problem of nominated procurement in emerging economy supply chains, this research did not explore the degree of compliance with specific certificates or standards requested of suppliers by buyers. A granular comparison of specific compliance certificates would be fruitful because it would aid a better understanding of which certificates (environmental and social) are most difficult to achieve and why.

Finally, this study operationalized supply chains as linear networks and spatial structures. This is an efficient perspective from which to compare and contrast the interorganizational perspectives of buyers and

multi-tier suppliers (Andersson, 2012; Öberg et al., 2012). Future SSCM research would benefit from integrating different theoretical perspectives at the level of analysis of the individual to understand agency in organizations, and how these individuals can mobilize or stymie compliance.

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## Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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## Appendix 1. interview protocol for buyers, direct suppliers, and nominated sub-suppliers

1.	<b>General questions</b>
1.1	How many people work in your firm and when was your firm created?
1.2	What are your main products and export markets?
1.3	Which operations do you carry out? (e.g., knitting, cut/sewing, finishing, printing)
1.4	How much can you produce (capacity) in pieces and /or value, per year?
1.5	Who are the buyers you work for?
1.6	Who are your main competitors?
1.7	What is the market situation now?
2.	<b>Questions on compliance</b>
2.1	What do you do in terms of compliance?
2.2	Which certificates do you have/request, if any?
2.3	Which social or environmental activities beyond compliance do you do, if any?
2.4	What are the benefits of compliance for you, if any? And activities beyond compliance?
2.5	Do your competitors also engage in compliance as you do? And beyond?
2.6	Does compliance pay off? What about activities beyond compliance?
2.7	What is the corporate approach to compliance in the Sri Lankan supply chain?
3.	<b>Questions on nominated procurement</b>
3.1	Could you elaborate on how the nomination process works?
3.2	What are the benefits of nominated procurement? And for sub-suppliers specifically?
3.3	What are the key elements that buyers seek in a nominated sub-supplier?
3.4	Are these conditions specific to Sri Lanka or are they all international?
3.5	Does nomination improve compliance along the chain? If so, how? If not, why?
3.6	Could you give me any example of problems you experienced because of nomination?
3.7	Is nomination a permanent status and, if not, how often is it reassessed?
3.8	What are the reasons behind a nominated sub-supplier's loss of its nomination?
3.9	Does sub-supplier nomination improve raw material supplier compliance? How?
4.	<b>Questions on sub-suppliers and nominated sub-suppliers (specific for direct suppliers and buyers)</b>
4.1	Which ones are your sub-suppliers and where are they located?
4.2	How do you work with them and Which of them are nominated?
4.3	How long have you been working with your nominated sub-suppliers?
4.4	Which are the main conditions in the selection of nominated sub-suppliers?
4.5	How do you know whether your nominated sub-suppliers are compliant?
4.6	Do you conduct visits at the nominated sub-supplier factories? If so, how often?
4.7	What does a general audit process at a nominated sub-supplier factory look like?

(continued on next page)



(continued)

1.	<b>General questions</b>
4.8	Do you value whether your nominated sub-suppliers do any social or environmental activity beyond compliance and does that affect prices?
4.9	What are the challenges and improvement points with your nominated sub-suppliers?
5.	<b>Questions on direct suppliers (specific for nominated sub-suppliers and buyers)</b>
5.1	Who are your primary direct suppliers in your chain and where are they located?
5.2	How long have you been working with these direct suppliers?
5.3	Are the direct suppliers with which you work compliant? Please explain.
5.4	Do you visit the factories of your direct suppliers? If so, how often?
5.5	Do you value whether your sub-suppliers do any social or environmental activity beyond compliance and would that affect prices?
5.6	How do you work together with direct suppliers for production?
5.7	What are the direct suppliers' main requests to you?
5.8	What do you think are the main challenges with direct suppliers?
6.	<b>Questions on raw material suppliers</b>
6.1	How do you select raw material suppliers in your chain?
6.2	Who are your raw material suppliers and where are they located?
6.3	What types of raw materials they mainly produce and how do you work with them?
6.4	How long have you been working with your raw material suppliers?
6.5	How do you know whether your raw material suppliers are compliant? Please explain.
6.6	Do you visit and audit your raw material supplier factories? If so, how often?
6.7	Do you value whether your raw material suppliers do any social or environmental activity beyond compliance and would that affect prices?
6.8	Have you ever had issues or concerns with raw material suppliers?
6.9	What are the main challenges pertaining to raw material suppliers?

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**Dr. Enrico Fontana** is a Lecturer at Sasin School of Management (Thailand) and an Affiliated Researcher at the Mistra Centre for Sustainable Markets at Stockholm School of Economics (Sweden). Enrico received his Ph.D. in Business Administration from Stockholm School of Economics, his MBA degree from McGill University (Canada) and he completed his post-doctoral studies at Gustavson School of Business, University of Victoria (Canada). His PhD and current work are focused on corporate social responsibility and corporate sustainability in the apparel supply chains of South and South East Asia. Enrico has published his work in multiple academic outlets, such as the *Journal of Business Ethics*. Before embarking on his PhD studies, Enrico worked for six years as market manager in the apparel industry in Asia and Europe.

**Dr. Christina Öberg** is Professor/Chair in Marketing at Örebro University, Visiting Professor at Leeds University, and Honorary Associate Professor at Exeter University. She leads INTERORG Research Centre. Christina has a background from Linköping and Lund Universities, and has been a visiting researcher at University of Bath, Manchester Business School and Stanford University, among others. She has a professional background from finance. Her research interests include networks, with a specific focus on dynamics, perception, goal heterogeneity and strategy, customer relationships, mergers and acquisitions, the sharing economy, new ways to pursue business, and innovation processes. Christina has published nearly 50 journal articles, and has produced several books and book chapters.

**Dr. León Poblete** is a Senior Lecturer and Researcher in the Department of Business Studies at Uppsala University (Sweden) and a Research Fellow in the Department of Technology Management and Economics at Chalmers University of Technology (Sweden). He holds a Ph.D. and a M.Sc. degree from Uppsala University in Business and Economics. Part of his Ph.D studies were conducted at Harvard University, Kellogg School of Management and University of Michigan. He is currently working on research projects in the areas of strategic management and marketing strategy, with a focus on supply chain management, innovation ecosystems and interorganizational relationship dynamics.