

The Moderating Impact of Supplier Governance on the Relationship between Sustainable Supply Chain Practices and Sustainable Performance of Individual Organizations: the Case of the Apparel Manufacturing and Exporting Firms of Sri Lanka

by

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by

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Declaration

“The work described in this thesis was carried out by me under the supervision of Prof. B.N.F. Warnakulasuriya and Dr. S.T.W.S. Yapa and a report on this has not been submitted in whole or in part to any university or other institution for any other Degree/Diploma”.

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Certification by the supervisor

“I/We certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation”.

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ABSTRACT

Relationships have become a phenomenon that organizations emphasize on, in achieving their performance objectives. The fact that relationships bring about significant synergies of pooled resources is the argument of those who believe in the positive outcomes of relationships. These arguments are based on the social capital formation that takes place in relationships. Social capital is said to improve through the relationships by way of enhanced cognitive capital, structural capital and relational capital. Supply chain concept emerged from the attempts to benefit through relationships. It is a combination of organizations that are linked and designed to transform raw materials into finished products and deliver them to the final customer. Supply chain concept is quite evident in the apparel industry world-wide and in Sri Lanka. The main reason for the apparel industry of Sri Lanka to look for the benefits of supply chain concept has been the weak backward integration of the manufacturers. In the theoretical argument of social capital formation, the relationships with the suppliers are expected to improve the performance of the manufacturers. Whether a firm operates in a supply chain or any other formation of organization, sustainable operations have become a serious concern of the stakeholders. A manufacturing organization operating in a supply chain offering apparels to the international market is not

an exception to this condition. In this scenario the sustainability of the suppliers from whom raw materials are sourced become a concern of the manufacturing firm. As a result, while practicing sustainability initiatives within the organization these manufacturers take necessary steps to keep the sustainability of suppliers in their control. Transaction Cost Economics provides a theoretical argument, that in a relationship the negative outcomes of the bounded rationality of contracting parties could be minimized with governance in practice. This theoretical understanding motivated the researcher to study how supplier governance could moderate the relationship between sustainable supply chain practices and sustainable performance. Since this has not been addressed in previous studies this research was an attempt to address the lacuna in literature.

An empirical study was conducted in the apparel manufacturing and exporting industry of Sri Lanka to collect the data necessary to examine this relationship. A sample of 154 elements responded to a predesigned questionnaire. Questionnaire was based on the measures of the three main constructs (each construct was multi- dimensional) that formed the conceptual framework of the study. The respondents marked their perceptual evaluations on the statements given against a Five Point Likert scale. The data collected was tested for their distributional properties as well as for psychometric properties prior to carrying out analysis. Three descriptive hypotheses and three relational hypotheses were tested using univariate and multivariate analysis techniques. The descriptive hypotheses tested using the one sample t-test were supported with empirical data. Two of the relational hypothesis were supported by the results of the Partial Least Squares analysis while the hypothesis which tested the moderation effect was rejected.

This study contributed to the knowledge by (1) understanding how sustainable operations are carried out in the Asian region and also in a developing country, (2) measuring sustainable performance in the light of the Triple Bottom Line,(3) examining whether sustainable practices lead to sustainable performance in the Asian region and also in a developing country, (4) understanding how supplier governance is exercised both in the Asian region and in a developing country, (5) examining how the governance mechanisms affect a single member of a supply chain in its relationships with another member along the same chain and (6) validating the measures of sustainable practices.

Based on the results of the study the importance of emphasizing on sustainability as a philosophy in their organizations rather than just as a practice is highlighted. The managers are advised to be extremely careful in selecting the supplier governance mechanisms since the results revealed a situation where the relationship between sustainable supply chain practices and sustainable performance was negatively influenced by supplier governance in practice. Further research is suggested to be conducted on buyer-supplier dyads using case study approach to study the outcomes of the present study in more detail.