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SUPPLY CHAIN CONFIGURATION AND MORAL DISENGAGEMENT

Abstract

This research shows that supply chain configuration may facilitate or restrict opportunities of moral disengagement. It is proposed that a moral decoupling point is a point through which materials, information, and money may be transferred, while acting as a roadblock for moral responsibility. Decoupling points allow researchers to understand how moral responsibility is connected with supply chain configuration. By mapping and removing moral decoupling points managers can structure their supply chains to increase moral responsibility of employees and better fulfill ethical guidelines. Empirical material is two-fold in this study. Firstly we investigate media reports of four cases, where Swedish company's moral is questioned. This is complemented with three real-life case studies from three global Swedish led textile companies.

Keywords: Supply chain management, moral disengagement, moral decoupling, ethics

1. Introduction

Globalization has led to complex supply chain networks spanning all over the world (Cavinato, 2004) disconnecting the actors of a supply chain and the consumer from the producer, which may constitute ground for moral disengagement (Bandura, 1999). This has also led to increased concern over ethics in supply chain management (SCM; Svensson, 2009). Business areas are outsourced and/or off-shored to decrease costs and enhance competitiveness (Christopher, 2000). However, collaboration in global supply chains is difficult due to geographical distances and cultural differences (Lowson, 2001; Lowson, 2003; Warburton and Stratton, 2002), which is addressed with increased information visibility and information and communication technology (Bruce et al. 2004). A lot of effort has been put into performance enhancement of global supply chains, for example, decreased lead-times (Dapiran, 1992), increased information sharing (Cagliano et al., 2004; Christopher et al., 2004), collaboration (Bititci et al., 2004), and strategic outsourcing (Bruce et al., 2004). Lately there has also been an increased focus on ethical issues related to global operations.

The societies in developed world are increasingly focusing on the ethics of business. Still, perpetrators of ethically questionable behavior seem to show little remorse for their actions and it is striking how companies can commit cruel actions with a blatant regard for their consequences (Svensson & Bååth, 2008). Berenbeim (2000) stresses the need for ethical values at a global level to match the ethical dilemmas induced by global supply chains and ethical codes have been found to have a positive impact on the ethical behavior (Adams et al., 2001; Ferrell & Skinner, 1998; McCabe et al., 1996; Pierce & Henry, 1996; Schwartz, 2001; Somers, 2001; Stohs & Brannick, 1999; Wotruba et al., 2001). Svensson (2009) stresses the importance of transparency to reduce the risk of ethical misconduct by supply chain partners. Ethical responsibility in supply management has an indirect impact on performance through its positive relationship with perceived reputation (Eltantawy et al., 2009), which indicates a consumer demand for ethically produced products.

The demand of consumers does not only include the delivered service or product (Parasuraman et al., 1985). Value is added through different services and products are tailored to fit the needs of specific consumers (Tien et al., 2004). One such segment is consumer groups with high demands on the moral aspect of the supply chain, which emphasizes the importance of differentiation of both products and supply chain solutions (Esper et al., 2010; Jüttner et al.,

2007), as well as value creation in supply processes (Vollmann & Cordon, 1998; Walters, 2008). Media reports with regard to ethical issues in global supply chains has involved news about force feeding of geese to produce better tasting foie gras, that H&M uses cotton picked by children in Uzbekistan, the diamond industry got attention from the Hollywood movie Blood Diamond, the fur industry is heavily criticized from animal rights alliances, and genetically modified crops have been debated. Also Apple has been constantly in headlines with outsourced production through Taiwanese partner operating mainly in China – suicides at subcontractor facilities, low wages as well as poor working conditions and terms have been under great concern (New, 2010; Sacom, 2011).

However, unethical concerns are not limited to physical product flows, but also monetary ones. Based on Apple (2011) 10-k fillings, it paid 24.2 % as income taxes from its operations, where official corporate tax rate in USA is 39.5 % (Kocieniewski, 2011). Daughter companies around the world in better tax locations ensure its lower taxation status (together with tax exemptions in corporate head quarters country). Similarly, e.g. such American icons as General Electric (2011) paid 28.5 % in year 2011 from its profits (year earlier only 7.3 %; see also Feierstein, 2012) and Microsoft (2011) paid 17.5 % in corresponding year. USA is constantly running huge governmental budget deficits, but corporations in private sector are doing reasonably well.

Previous research has presented how globalization, visibility, and collaboration affects ethics (Carter, 2000; Lim & Phillips, 2008; Svensson, 2009), but fails to explain why individuals in a supply chain undertake or accept what otherwise would be regarded as morally unjustifiable behavior. The purpose of this research is to go beyond existing research within supply chain ethics and explore if and how supply chain configuration affects moral disengagement. The main research question is: “Can immoral behavior be explained by the structure of the supply chain?” The question is investigated through a literature review about SCM, consumer demand and morality, a study of media reports on moral issues in the textile manufacturing industry, and a holistic multiple-case study. The case companies are active in the textile industry and have global supply chain networks. To preserve anonymity the case companies are called Alpha, Beta, and Gamma; and information about the companies is kept at a minimum level.

This research does not consider the moral aspect of different supply chain solutions, nor does it investigate the validity of critique against businesses regarding ethical and moral issues. The research strives to combine psychology and SCM, and to define a new area of research interesting for both academia and professionals.

Manuscript is structured as follows: In Section 2 is research approach being introduced, while Section 3 provides literature review from subject area. Case studies follow in Section 4. Media reports in turn are analyzed in Section 5. Through analysis from different empirical pieces is drawn in Section 6. Manuscript is concluded in Section 7, where also further research avenues are being provided.

2. Research Approach

This research aims to explore if and how supply chain configuration affects moral disengagement by investigating if companies disengage themselves from moral responsibility and what circumstances make it easy for companies to avoid moral responsibility. The issue is examined through literature review, media analysis and multiple case studies. For the media investigation we took into account four topics that gained considerable media exposure in Sweden. Case studies are an industrial investigation mapping the supply chains of three Swedish textile companies, owning global supply chains. The media investigation was

conducted to illustrate unethical and immoral behavior. The industrial investigation is presented to illustrate different levels of integration and supply chain visibility. The case study approach corresponds well to the explorative approach of this research. Moreover, the case study was considered appropriate, since the research tries to analyze contemporary events in a complex setting in which the researcher has no control over the events (Yin, 2009).

The industrial investigation was initiated as a process-mapping project at a textile company (Alpha) in 2006. The CEO/main owner and the process manager/co-owner were devoted to the project and became the main sources for data. The 2007 Swedish media report on ethical misconduct in the supply chains of large Swedish companies initiated the research process with Alpha's supply chain in mind. A first literature review revealed linkages between supply chain ethics and visibility, but did not explain the underlying reasons to why the moral of individuals were impacted. In order to broaden the scope news on TV, newspaper, and the Internet were monitored for reports on ethical misconduct. Reports of interest that were found on TV, or in newspapers were searched further in the Internet to allow the researcher to make copies of the material for future purposes.

In 2008 a case study protocol containing data from Alpha, the media investigation, and reviewed literature was constructed. Moreover, additional companies with various degrees of supply chain visibility were to be included to identify how supply chain configuration affects visibility and that the media investigation should continue. Beta and Gamma were chosen based on prior knowledge about the companies, their global supply chains, but also due to their industry. The textile industry is labor intensive and has low automation, which makes it prone to bad working conditions. In 2009 Beta's and Gamma's supply chains were mapped. Beta's supply chain was mapped as a lead-time investigation over the course of three months in close collaboration with the logistics manager. Gamma's supply chain was mapped during a three hour workshop on supply chain integration held by the purchasing manager and was followed up with a brief verification interview. In 2010, after including psychology in the literature review, moral disengagement was found as a good explanation for how moral is impacted by supply chain configuration. Alpha, Beta, and Gamma were interviewed on telephone to ensure that the theory matching was correct. Findings have continuously been recorded in the case study protocol.

Albeit this article is mainly focused on SCM knowledge the field of psychology is used to identify supply chain configurations that may affect moral disengagement. Stock (1997) lists thirteen research disciplines from which logistics research has borrowed knowledge. Among these are anthropology, philosophy, psychology, and sociology. Hence, the choice to use psychology in this research does not stray from established research methodologies. The rationale for incorporating knowledge from psychology is to be able to explain phenomena that would not been possible to explain without the existing knowledge and experience from that field. Still, it needs to be stressed that this research is conducted within the field of logistics. This research was initiated since real-life observations were not reflected in prior theoretical knowledge, which resulted in systematic combining, an iterative process going back and forth between theories and real-life observations (Dubois & Gadde, 2002). The overall research process, which ends up in a set of propositions is abductive (Kovacs & Spens, 2005).

As systematic combining was used during the research, it was evident that neither the media investigation, nor the industrial investigation alone could explain the studied phenomenon. The media investigation gives insight to how companies justify their actions, but did not allow the researcher to investigate the configuration of the supply chain. The industrial investigation

provides three generic supply chain configurations, but the companies included have not been criticized for the moral of their actions.

The quality of the research has been ensured by using multiple sources of evidence, gathering several pieces of evidence building a chain of evidence, and allowing key informants to review reports, transcripts, and findings. Internal validity has been increased by discussing rival explanations for the findings with research colleagues. A theoretical foundation has helped to increase the external validity and reliability has been increased by developing a case study protocol and a database of all gathered data (Yin, 2009). Moreover, triangulation of data, methods, and theory (Flick, 2009), has contributed to improving the rigor, depth, and breadth of the results, which may be compared with validation (Yin, 2009), while enhancing the investigator's ability to achieve a more complete understanding of the studied phenomenon (Scandura and Williams, 2000).

3. Literature Review

Before presenting the literature review a framework is presented. The difference between moral and ethics is daily use often arbitrary, but there is a subtle difference: moral defines personal character, while ethics refer to a social system in which morals are applied. Corporate codes of conduct are social constructs and thus concerned with ethics. Moral, however, is the employees' sense of right and wrong, which cannot be influenced by corporate guidelines solely. Internal or external forces may stress a company to implement ethical guidelines, but individuals may have morals that do not comply with the ethical guidelines. Hence, it is not sufficient to focus on ethical guidelines; moral, and how the supply chain affects it needs to be considered as well.

SCM is the management of supply processes necessary to fulfill consumer demand (Hilletofth, 2011; Lummus & Vokurka, 1999; Mentzer et al., 2001). This includes processes dedicated to the integration and coordination of materials (forward such as new products, and reverse flows in case of product returns and ending of life-cycle), information, and financial flows across a supply chain satisfying consumer requirements with cost-efficient supply, production, and distribution of the right goods in the correct quantity to the right location at the right time and with agreed quality level (Gibson et al., 2005). Sourcing and purchasing are two of the processes responsible for inbound materials flows (Harland, 1997). Threats in sourcing stability, such as resource depletion, raw materials scarcity, political turmoil, intensified competition, and accelerating technological change require attention. In markets where availability is high, the buyer has power in purchasing negotiations, while the supplier has power in markets where availability is subject to uncertainty (Kraljic, 1983). Hence, the buyer needs to form close alliances in the supply chain, where strategic important materials are hard to source and important to the buyer. In here buyer has the possibility to exploit sourcing companies and drive down the price, if materials are abundant and of low importance to the purchasing company (Harrison & van Hoek, 2005). Together with these mentioned issues, it should be noted that simply the size of the buyer (e.g. retailer) and suppliers (e.g. garment manufacturers) sets certain limitations on the negotiation power of supply side. As for example retailing is being dominated increasingly large and global actors, it means that small and medium sized suppliers do not have basically that much power. Actually supplier power is at the level, whether they will take in order or not.

As competitiveness has increased in several markets several companies need to form a profound understanding of consumer needs, rather than an understanding of the technology of the product (Christopher et al., 2004). Differentiation areas that arise may not stem from the product itself, but from services traditionally connected to logistics, such as delivery options or managing final

installment (Hilletofth, 2012, MacMillan & McGrath, 1997). The consumers' power on supply chains activity and performance is a result of increased consumer sensitivity (Leonard & Sesser, 1982; Takuechi & Quelch, 1983). For example, the ability of consumer networks to express experiences with drugs had an effect on the consumer demand leading to word of mouth being more important than the claimed benefits of the drug (Pralhad & Ramaswamy, 2004). Companies in fashion and high-tech industries need to have high capabilities to ramp up production and decrease time-to-market to reap the possible rewards of competition in markets with volatile demand and short product life cycles (Carrillo & Franza, 2006). In essence, companies need to understand the nature of the consumers and their demands before devising a supply chain strategy (Mason-Jones et al., 2000). One such demand being to inquire for ethically produced goods.

As society focuses on ethics (Svensson & Bååth, 2008) ethical products and services may be one way to differentiate from the competition, but it may also be an obligation towards consumers' rights to informed choice (Beekman, 2008). Purchasers, however, may deviate from corporate ethical guidelines due to high pressures to reduce costs and the effects of global sourcing (Carter, 2000; Razzaque & Whee, 2002). Companies that have outsourced manufacturing to low cost countries cannot rely on ethical programs alone to improve ethics at their suppliers; they need to shift from arms-length relations based on cost to engage their suppliers as collaborative partners (Lim & Phillips, 2008). Moreover, in order to reveal ethical dilemmas it is not enough to increase visibility into the operations of the suppliers, or customers, all levels of the supply chain need to be included. Despite this, H&M has chosen to exclude the cotton manufacturers from their code of conduct, and Sony Ericsson only takes responsibility for their suppliers and not their suppliers' suppliers (Svensson, 2009). Park-Poaps & Rees (2010: 305) list three reasons why unethical behavior is likely to arise in the apparel and shoe industry: Production is labor intensive and automation is limited, pressure to lower production cost leads to sourcing in low cost countries, and complex supply chains. These traits make the industries susceptible to moral disengagement. Even if direct labour costs do not hold that significant proportion from total costs (5-10 % at best e.g. in textiles), rather unequal world salary system creates temptation to utilize lowest low countries in the labour intensive phases. Labour competitiveness is not only due to the brutto salaries paid to the workers, but all indirect costs incurred (social costs, pension costs and unemployment insurance costs etc.). In advanced economies (like Finland, Germany, Sweden and Switzerland) salaries are then in entirely different level as compared in Figure 1 to lower East European and Asian countries. Actually wage difference to Philippines and Sri Lanka as compared to Swedish total manufacturing wages is more than 95 % - even to Poland difference is 80 %. As typically global corporations try to achieve earnings levels of 5-10 % in profit & loss statement (from revenues), quite frankly large proportion out of this arises from low cost country wages. It is not source of sustainable competitive advantage, but could be useful to fulfill short-term profitability targets.

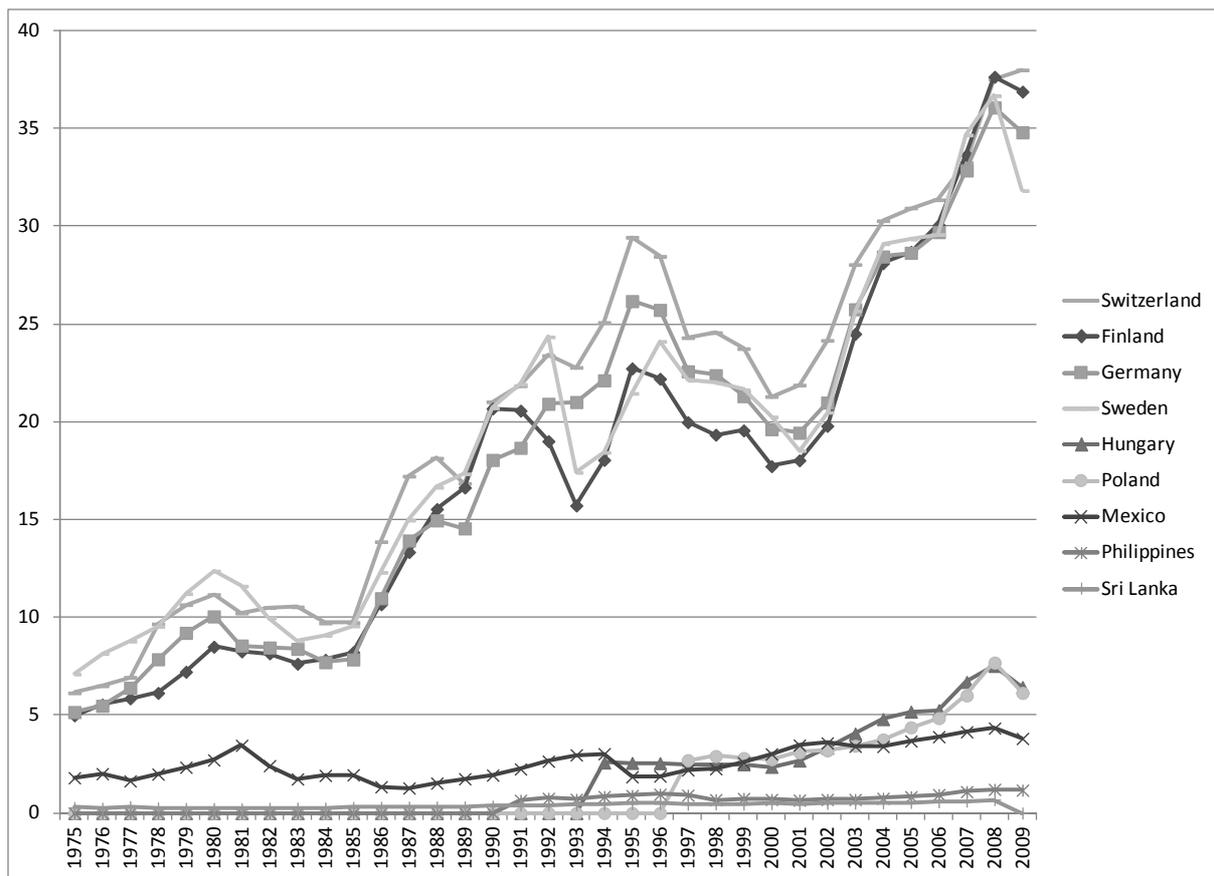


Figure 1. Hourly labour costs (total, y-axis in USD) in manufacturing based on USA Bureau of Labour. Source: Bureau of Labour Statistics (2012)

Moral disengagement is a set of mechanisms that may be employed to obfuscate morality while engaging in ethically questionable activities and behaviors (Aquino et al., 2007; Bandura et al., 1996; Bandura et al., 2001; Vollum & Buffington-Vollum, 2007). Bandura (1999) describes eight types of moral disengagement:

- (1) **Moral justification** is when people before engaging in harmful conduct justify to themselves that their actions are morally acceptable, such as participating in a war for the good cause. Actions are made personally and socially acceptable by portraying them as serving social or moral purposes. People act on moral imperative and view themselves as moral agents.
- (2) **Euphemistic labeling** is to change the labels and words of actions so that the actions are sanitized. Some US government agencies do not fire people; they provide them with career-alternative enhancements.
- (3) **Advantageous comparison** is to compare the own actions with an alternative that is worse. This could be e.g. comparing latest major war on some previous historic wars, and getting justification that destruction was not that severe.
- (4) **Displacement of responsibility** is when people do not consider themselves to be the agents of the harmful behavior. This could be organization, where directors as well as managers do not see or do not want to identify big picture. Harm caused could be tremendous as only few know, what is the intended end result.
- (5) **Diffusion of responsibility** is when the sense of personal agency gets obscured by diffusing personal accountability. Many enterprises rely on the services of several employees, where each person carries out a subdivided job that seems harmless without a

greater context. Routinized and subdivided activities make personnel focus on the operational details and efficiency of their job instead of the morality of what they are doing. It is also applicable in-group decision-making when everybody is responsible, but no one really feels responsible.

- (6) **Disregard or distortion of consequences** is to ignore, minimize, distort, or disbelieve harmful results of the activities. In warfare this is done by attacking enemies from large distance. It is perceived easier to kill enemies from a distance using technology guided weapons than it is to kill them in hand to hand combat and have to face the pain and suffering of the opponent.
- (7) **Dehumanization** is to strip the victim of the actions from human properties and to portray the victims as mindless beings with no human worth.
- (8) **Attribution of blame** is when people view themselves as faultless victims driven by their adversaries to harmful actions by forcible provocation.

4. Industrial Investigation

Alpha manufactures textile products with other businesses as customers and consumers. Their raw material is widely available and the desired quality is easy to get hold of. First and foremost Alpha selects suppliers based on lowest price, but works with primary and back-up suppliers to ensure smooth and resilient supply. The raw material has low value, so the company does not focus on capital tied up in raw materials. Alpha has chosen a market segment, where it is able to charge a premium price, but where it is also required to have responsive manufacturing processes. Due to Alpha's arms-length relationship with their suppliers, Alpha has little insight into the suppliers' activities. Moreover, they have no insight at all into the activities of their suppliers' suppliers.

Beta is a manufacturing company focusing on textile products for business and private consumers. Their products are in the very premium range of the business. In order to manufacture their products in the desired way, Beta has extremely high demands on the quality and type of their textile raw material. Historically, this particular type of the raw material has been seen as low grade, which made the suppliers switch to produce more conventional and sought-after types of the raw material. In order to assure raw material supply Beta needs to monitor and be in close contact with the available raw material suppliers. The raw material suppliers are responsible for the treatment of the raw material, a treatment process that is typical for this type of raw material. Due to the close connection with the raw material suppliers, Beta gains insight to the treatment processes.

Gamma is a textile manufacturing company, which also undertakes great efforts to add value and quality to their raw material. Their products are aimed towards the consumer market at a premium price range. To produce the desired quality of its finished product Gamma is heavily dependent on the quality of the raw materials and the treatment of the raw material. There is high demand of the raw material so Gamma has chosen to monitor their suppliers' suppliers and due to its sensitive value adding treatment Gamma was forced to invest capabilities in the value adding activities that leads up the material being ready for manufacturing.

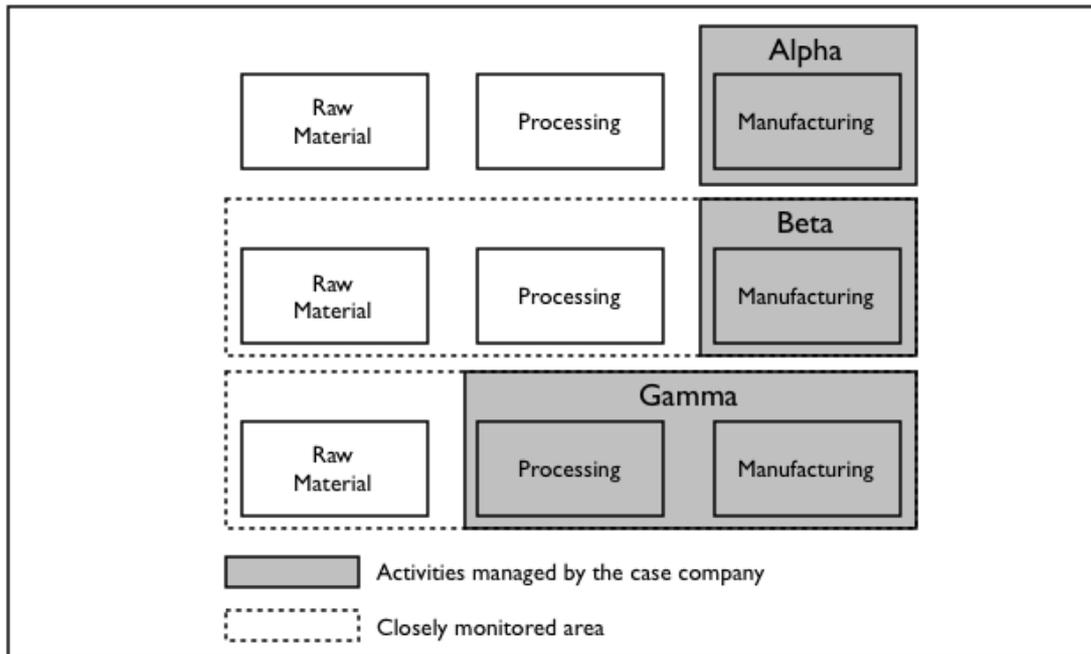


Figure 2: Integration level with suppliers

The level of collaboration is illustrated in Figure 2. Case company Alpha has the lowest level of insight to their suppliers' activities, Beta has insight in their suppliers' activities, and Gamma has chosen to integrate treatment processes into their own business. The case companies have chosen the level of integration to fit the requirements to assure supply of the right goods at the right quality. Alpha has chosen low integration, since supply is abundant; low availability is the main driver to integrate the suppliers for Beta, and low availability, high quality demands, and critical treatment processes are the drivers for Gamma to create close relationships with its suppliers. Alpha has low visibility into their suppliers' activities, Beta has visibility into their suppliers' activities, and Gamma has visibility to their suppliers' suppliers and is co-managing some of the treatment processes of the raw material.

5. Media Investigation

In late 2007 the Swedish TV-show "Agenda" aired a segment about H&M. It was revealed that H&M buys cotton from a supplier in Bangladesh, who in turn imports cotton from Uzbekistan, where the government forces children from their schools to work in the cotton fields. The distributor purchases cotton from various suppliers and mixes the cotton, which makes it hard to trace the origin of the raw material in the final product. A spokesperson from H&M has commented the sourcing in media and claims that H&M would like to focus on the moral issues, but does not want to boycott cotton from Uzbekistan with the motivation that it may reduce the value of Uzbek cotton, which in turn may have a detrimental effect on the Uzbeks (Olsson, 2007). This could be partially correct, since Uzbekistan is typical very low income and landlocked country – based on UN (2012) its GDP per capita was one third as compared to China (actually Uzbek GDP is at the level of some average African country). Another spokesperson from H&M acknowledges that they are aware of child labor in the textile industry and that H&M does not accept child labor at their suppliers and do not wish that it exists at any part in their value adding chain. Further, the spokesperson says that H&M also has a responsibility to influence other actors and claims that H&M has been doing so for a long time in collaboration with other companies (Jannerling, 2007).

The Swedish animal rights alliance presented pictures and movies of animals in distress allegedly produced during a time period spanning more than one year (Djurrättsalliansen, 2010). The findings were investigated by the responsible government agency, which did not agree with the findings and said that most of the farms lived up to the standards and that there were no big misconducts (SVT-TT, 2010). A mink farmer states that minks are predators and that it lies in their natural behavior to attack each other and that an attack is so quick that it is impossible to intervene (Nygren, 2010). Another farmer who was documented by the animal rights alliance was the victim of arson. In an interview he claims that there is a relation between the photos and the arson and that some of the photos are manipulated (Palm, 2010).

In order to cope with long migrations geese and ducks have no gag reflex and have good capacity to store fat in their liver. A fat goose liver (foie gras) is considered as a delicacy. In order to get the liver fat feeders force-feed geese with large amount of energy-rich food. The information manager at Swedish food retailer Coop says that they would consider selling foie gras, if it was produced in a responsible way (Poellinger, 2007). Gordon Ramsay picked foie gras from a force-fed goose as the better tasting in a blind test and claimed that taste is the only consideration when buying foie gras (Ramsay, 2007). A Swedish TV-show did a report on geese that were not only force-fed, but also got their down picked while still alive. A goose may get their feathers picked four times before being slaughtered. The investigation shows that goose down picked from live geese passes three actors in the supply chain before reaching the Swedish distributors. The supplier to the Swedish distributor, which is based in Denmark sources 25 percent of its down from a distributor in Germany. The Danish based company perceives the German company as very serious and would be very upset, if they are found to deal with down picked from live geese. The German company does not want to reveal, from where they source their down, but the investigation shows that it is sourced from Hungarian distributor, who deals with goose down picked from live geese (Lundbäck, 2009).

Swedish TV-show “Uppdrag granskning” did a report on how Swedish and European companies source products from India in order to keep prices down. To gain access to one factory used by the Nordic grocery store chain Ica, the team claimed to be purchasers from Scandinavia. Over 40 children under the age of 14 worked in the factory, many of them without caste and from the poorest parts of India. The workers say that they get beaten and yelled at if they are not compliant. Ica, who uses the factory when they source rugs, claims that the picture presented by the TV show does not reflect reality. When the TV show did a follow up the reporter was assaulted and battered at the factory. The show also visits the region Rajasthan in India where factories treat cotton. Chemicals that are dangerous to humans and to the environment are used in the processes and workers spend days in tubs filled with chloride and acids, which vaporize and form hydrochloric acid (Bagge, 2007). The Swedish retail store company Indiska supplies materials from factories in the region. In response to the show, Ica chose to remove the rugs from stores and warehouses (Uppdrag granskning, 2007).

6. Analysis

The industrial investigation reveals that the investigated companies have chosen their strategies based upon availability, quality requirements, and power balance in the supply chain. The quality requirements stem from customer and consumer demands in the chosen marketplace. The increased collaboration in case companies Beta’s and Gamma’s supply chains gives Beta and Gamma deeper insight in the activities at their suppliers and their suppliers’ suppliers, while case company Alpha has a supply chain configuration that enables deniability for the actions of their suppliers. Consumer and customer demands, availability of supplies, and power balance

between the actors in the supply chain determine the supply chain configuration, which in turn determines level of accountability for the suppliers' actions. There are three levels of collaboration in the supply chains: no insight, monitor, and manage. Alpha has no insight to the activities of their suppliers, Beta monitors their suppliers' activities, and Gamma monitors and manages their suppliers' activities. As the level of collaboration increases, it gets harder to use disengagement techniques such as displacement of responsibility and diffusion of responsibility as it becomes more apparent how activities are interconnected. Moreover, as collaboration increases, deniability decreases.

The media investigation illustrates, how low levels of collaboration allow companies to justify their behavior. In the case of Uzbekistan actions are morally justified by advantageous comparison, responsibility was displaced to the suppliers and diffused due to a supply chain configuration, where the supplier mixes cotton, and the consequences to the children are disregarded. The response to mink farming was scarce, but a mink farmer, who commented the actions used dehumanization of the minks to justify the actions (Dehumanization to animals may seem contradictory, but animal rights alliances are known to address animals as individuals giving them human traits). Using foie gras instead of fattened goose liver is a euphemistic label. Moreover, in the geese industry responsibility was displaced to the suppliers and diffused due to a supply chain configuration, where the suppliers mix down, consequences to the geese were disregarded, and using animals entails a dehumanization of the geese. Moral issues in India were addressed by displacement of responsibility on the suppliers and the low visibility into the factories helped to diffuse responsibility. Further, consequences to the workers and the environment were disregarded and the use of workers from the lowest caste is a form of dehumanization. The findings are compiled in Table 1.

Table 1: Identified moral disengagements

Moral disengagements	Uzbekistan	Mink farms	Geese	India
1: Moral justification	X			
2: Euphemistic labeling			X	
3: Advantageous comparison	X			
4: Displacement of responsibility	X		X	X
5: Diffusion of responsibility	X		X	X
6: Disregard or distortion of consequences	X		X	X
7: Dehumanization		X	X	X
8: Attribution of blame				

Case company Alpha has a supply chain configuration that is similar to the media reported situations regarding Uzbekistan, goose down, and India. In all cases the visibility in the supply chain is low, collaboration is low, and there is no control of the suppliers' activities. The arms-length distance between suppliers and buyers facilitates room for ignorance of the activities at the supply chain partners' companies. Case company Beta and Gamma on the other hand are engaged in a close relationship and monitoring of their suppliers. This removes deniability of the suppliers' activities. Effects of globalization, such as geographical and cultural distances, have a catalytic effect on the creation of opportunities to distance a company from a supply chain partner's morally questionable actions.

The cross-case analysis illustrates how the supply chain configuration is related to the ability to deny responsibility for actions performed by other actors in the supply chain. Case companies Alpha, Beta and Gamma have configurations that in case of morally despicable behavior at their subcontractors would grant them different levels of deniability. Moreover, the different

configurations are also likely to trigger the use of disengagement techniques in the investigated companies. The configuration that allows moral disengagement in the industrial investigation is the interface between actors in the supply chain that is dependent on the level of collaboration. The media investigation identifies additional configurations that may facilitate moral disengagement, e.g. cultural attitudes towards workers and animals, low ability to trace origin of materials, sourcing countries, where the conditions are so poor that child labor is perceived as an improvement of conditions, and the long distance between the actors in the supply chain.

Disengagement is a psychological process to disregard or justify harmful activities. It is a separation of moral and responsibility and effects of actions. Since moral disengagement is triggered at a structurally identifiable point it is similar to a decoupling point. A decoupling point is a place where two parts may be separated. For example, the gearbox in a car is a decoupling point between the crankshaft of the engine and the driveshaft. In SCM decoupling points are commonly used together with postponement strategies as a way to decrease the risk of forecast error and to increase flexibility (Christopher, 2000; Dapiran, 1992; Feitzinger & Lee, 1997). In order to combine the knowledge of disengagement, the configuration of supply chains, and how processes may be decoupled, the link between moral disengagement and supply chain configuration may be explained with a moral decoupling point (MDP).

Proposition 1: Moral decoupling is a psychological process, used to separate moral from transactions so that materials, information, and money may be transferred, while the moral responsibility is diffused or separated from the transaction.

Proposition 2: A moral decoupling point is a place where materials, information, and money may pass, but not the moral responsibility. A moral decoupling point is defined as follows (Figure 3):

A point through which materials, information, and money may be transferred, while acting as a roadblock for moral responsibility.

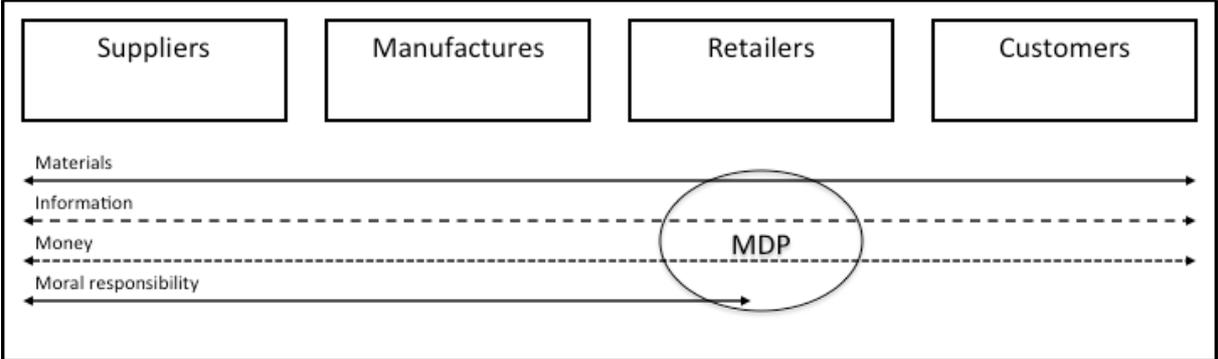


Figure 3: Moral decoupling point

The literature review and case study support the formulation of the propositions. The definition of MDP makes it suitable to explain the disengagement moral issues in SCM, the research have shown that companies use MDPs, and that certain supply chain configuration may enable or restrict the formation of MDPs.

7. Concluding Discussion

This research aimed to investigate if and how supply chain configuration affects moral responsibility. In this quest the research borrowed theories from psychology that when

combined with SCM were able to explain that supply chain configuration affects moral behavior by creating points in the supply chain where moral responsibility is decoupled from material, monetary, and information flows. It is suggested that the points are to be called MDPs. The concept is thoroughly examined in the case study, which constitutes a strong foundation for the concept. MDP is useful in supply chain research and may be further probed by researchers from both the field of psychology and the field of SCM. Professionals may use the concept to understand moral implications of their supply chain strategies and to devise supply chains in accordance with consumers' demands on moral issues.

This research provides two main theoretical implications: The first is that linkages between supply chain configuration and moral responsibility have been clarified; and the second is a definition to better understand how moral responsibility is decoupled from the transactions in the supply chain. The practical implication can be seen from two viewpoints: The first is that knowledge about MDPs allows companies to construct their supply chains in a way that increases moral responsibility; the second is that knowledge about MDPs allows companies to construct their supply chains in a way so that they may distance themselves from moral responsibility. Managers that wish to pursue ethical business models need to address the configuration of the supply chain. By mapping the supply chain and identifying MDPs managers may remove opportunities for employees to perform moral decoupling, which will have an impact on how well the company is able to live up to their ethical guidelines.

One weakness of this research is the limited access to the field. If access was granted to the companies presented in the media investigation their supply chain configurations could have been used to discuss the linkage between moral disengagement and supply chain configuration in detail. However, the multiple-case study indicates a linkage between supply chain configuration and moral disengagement, and provides strong support for the introduction of the MDP concept. The sensitive nature of the subject also constitutes a possible weakness. If asked by an investigator, the case company representative is likely to intuitively know the right answer to the question, which may not be the true answer. Therefore, the configuration of the supply chains in the case companies had to be investigated without asking questions about morality. Further, due to anonymity only the most important information about the case companies could be presented. However, the presented information is sufficient to validate the purpose of the research. The concept of MDP is generalizable to other fields using transactions such as banking. Yet, the occurrence and nature of the MDP may vary from field to field.

Since this research investigates a novel area, there are several areas for further research. MDPs are facilitators for immoral behavior and ethical responsible supply chains should work to remove MDPs. However, which actor in the supply chain has the responsibility? Moreover, if MDPs are removed, how will it affect the supply chain with regards to locations for raw material extraction and manufacturing, how will it affect the cost of the finished product, and how will it impact consumption behavior? It is appropriate to continue this research with an investigation of supply chain configurations in companies that claim to work with ethical guidelines since their supply chain should be configured in a way that reduces the occurrence of MDPs.

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