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# Linking Moral Disengagement to Supply Chain Practices

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## Biographical note

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## Abstract

The purpose of this paper is to identify if and how supply chain practices are linked to moral disengagement techniques and thus might cause moral decoupling (MD). The research uses a literature review and multiple case study approach to investigate this issue. The literature review links moral disengagement to supply chain practices, while the case study observes the existence of the practices, and in what supply chain configurations those practices might arise. Identified configurations that might cause MD are suppliers and external partners responsible for upstream activities, division of tasks, aggregation of materials, auction-like settings, long supply chains, production in low-cost countries, production where people are not considered as equals, and configurations made to reduce costs.

**Keywords:** Supply chain management, moral disengagement, moral decoupling, ethics, corporate social responsibility

# 1 Introduction

Supply chains of today have an increasing complexity and span. As such, actors and consumers get further and further apart in global networks (Cavinato, 2004). Collaboration in global supply chains entails high difficulty, due to distances not only in geography, but also in culture (Lowson, 2001; Lowson, 2003; Warburton and Stratton, 2002). As these distances grow, it is hard for companies to oversee operations, which may result in that operations are not being conducted as intended. Whereas quality issues have been a prevalent area of concern, ethics issues in supply chain management (SCM) are now gaining attention (Svensson, 2009).

The need for ethical values on a global level in order to match ethical dilemmas brought on by global supply chains have been stressed (Berenbeim, 2000). It has been shown that ethical codes of conduct have a positive impact on 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). Besides ethical guidelines, supply chains with high visibility, both upstream and downstream, have been deemed necessary to uncover ethical dilemmas in the supply chain (Svensson, 2009). Ethical performance has also shown to have an indirect impact on performance through its positive relationship with perceived reputation (Eltantawy et al., 2009) showing that the potential benefits of ethical efforts are not only social benefits, but also economical.

Despite the interest for ethically produced products, reports of social misconduct are prevalent in the news. In recent years, Apple has made the headlines on numerous occasions due to the working conditions in China. Low wages, poor working conditions, and even suicides at subcontractor facilities have been reported (New, 2010; Sacom, 2011). The issues are not confined to physical flows, but also concern monetary issues. Due to taxing through daughter companies (typically abroad), Apple (2011) managed to reduce its taxing by just over 15 percent units (also tax exemptions domestically improve the situation) compared to official corporate tax of 39.5 % in the US (Kocieniewski, 2011). Similarly, General Electrics (2011) paid 28.5 %, and Microsoft (2011), paid 17.5 % in taxes (Feierstein, 2012). Most recently, e.g. India has been completing harsh taxation checks due to argued transfer pricing mal-practices in multinational units (could enable to transfer profits in more favorable low tax location), which are located in the country. Companies, such as Nokia and Shell have been suspected of this, and tax officials demand billion dollar figures (Economic Times of India, 2013).

Research has started to explain how globalization, visibility, and collaboration affect ethical issues in the supply chain (e.g. Carter, 2000; Lim & Phillips, 2008; Svensson, 2009). However, this research, has not tried to explain why decent people will engage in business, somewhere in the supply chain, where people might get hurt, abused, or risk their health. To fill this gap, moral decoupling (MD) has been introduced (Eriksson et al., 2013). If MD occurs in a certain place in a supply chain, it is called a moral decoupling point (MDP). The concept of MD and MDPs has been suggested as an explanatory model for how actors in the supply chain stop taking moral responsibility for unethical behavior. The concept of MD stems from a combination of moral disengagement (Bandura et al., 1996) and supply chain configuration (Eriksson et al., 2013).

The purpose of this research is to identify if and how supply chain practices are linked to moral disengagement techniques and thus might cause MD. The main research question is: “What supply chain configurations may result in MD?” In order to illustrate the different conditions in which this may occur, a multiple case study is used. The cases are theoretically sampled (Yin, 2009) for illustrative purposes. The theoretical base of this research is mainly based on the

works of Bandura (Bandura et al., 1996; Bandura, 1999; Bandura et al., 2001), and a literature review of supply chain configuration (e.g. Cavinato, 2004; Gibson et al., 2005; Harland, 1997). This research contains theoretical relevance, as it explores a novel area, and practical as well as social relevance as it (in the future) may help practitioners to construct supply chains that are likely to encourage the actors to engage in ethical behavior.

The remainder of this paper is structured as follows: To begin with, the research approach is presented and discussed in Section 2. After that, a literature review on supply chain practices and moral aspects of supply chain practices is presented in Section 3. Thereafter, moral disengagement is linked with supply chain practices in Section 4. Next, the case study is presented in Section 5. Finally, the research is analyzed in Section 6 and concluded in Section 7.

## **2 Research Approach**

This research aims to illustrate how supply chain configurations are linked to moral disengagement techniques. In line with the focus to identify active supply chains with various configurations, it was chosen to do the sample based on the individual samples' unique characteristics, a method sometimes referred to as theoretical sampling (Yin, 2009). A list of potential and previously researched companies was compiled and their individual supply chains were sketched. From these early sketches a few could be dismissed straight away, and there was a need to find more supply chains to fully comply with the research purpose. When the sketches were compiled, the case companies were approached, so that the sketches of the supply chains could be completed and corrected for errors.

Despite that this research is mainly focused on SCM, it also draws a lot of knowledge from the field of psychology. Using knowledge from other fields is not uncommon within the field of logistics. Stock (1997) lists thirteen research disciplines that have been used in logistics research. Among these, psychology is found. Thus, this is not the first time that psychology has been used in SCM related research. It was seen as a necessity to look outside the field of SCM, in order to understand and explain the research phenomenon. However, this research is still conducted within the field of SCM.

Three cases are used in the case study. For anonymity these are referred to as Cottonco, Flowerco, and Furnitureco. The companies have not been chosen due to a history of misconduct, but based on their explanatory properties. The goal with all data collection was to construct models of the companies' respective supply chains. Since the focus is to present the basic structure of the supply chain, the data presented from each company is kept short. Prior to selecting these three cases, several cases were investigated for explanatory purposes. In the flower and cotton industries several companies were contacted during data collection. In the flower industry, the findings were confirmed by a second company but due to the uniqueness of the flower-trade, there was no benefit in presenting findings from both companies. In the cotton industry, several companies were investigated and revealed the same data. Cottonco was, however, the company most willing to share sensitive information about their upstream supply chain. The cases were continuously matched with theory, matching and rematching theory with empirical findings and the used framework (see systematic combining (Dubois and Gadde, 2002; Kovacs and Spens, 2005). The three cases presented contained supply chain configurations that could be matched with the used theory, and was therefore used in the article. As this research contains multiple cases, it gives ground to credible discipline development as suggested by Flyvbjerg (2006).

Data from Cottonco was gathered from two telephone interviews, where notes were taken. The interviews were then followed up by e-mail, confirming that the structure of the supply chain was correctly understood. Data from Flowerco was gathered from one telephone interview, which was then confirmed by e-mail. Moreover, a second competing company was also interviewed. Due to the structure of the global flower trade, the second flower company aided in triangulating data and confirming that the conclusions were correct. Furnitureco has been part of a research collaboration that begun in 2008. Prior to this study, their supply chain has already been thoroughly mapped using interviews, visits to suppliers and collaborating partners, as well as taking part in their daily activities over the course of approximately five years. In order to ensure that data was correctly interpreted in this interview, one of the managers at the company was presented with a model of the supply chain, to which slight modifications and comments were made.

Following the literature review, the research is conducted in a three-step process. First, theory about SCM and moral disengagement is presented. Second, moral disengagement is linked with supply chain practices. Third, the practices are compared with the supply chains of the case companies, to identify if the linkages are likely to occur in an empirical setting.

The use of familiar cases with data confirmation has helped to improve the quality of the research. It has ensured that the data is correctly interpreted, is a good representation of the studied cases, and that the data is of value for this research. The use of previously established contacts also allowed the researchers to first familiarize with the cases to better develop them for this research. This technique allowed the investigators to gain a more complete understanding of the studied objects (Scandura & Williams, 2000).

### **3 Literature Review**

The literature review is divided in two parts. The first part presents an overview of how SCM has changed in recent decades, and what areas that are now included in the concept. The second part focuses on the moral issues that have gained increased attention, and also presents the literature used to analyze how the structure of the supply chain may result in morally questionable behavior.

#### **3.1 Supply Chain Practices**

SCM is the management direction responsible for the processes necessary to fulfill consumer demand (Hilletofth, 2011; Lummus & Vokurka, 1999; Mentzer et al., 2001). Processes encompassed within SCM are those dedicated to integration and coordination of materials, information, and financial flows across a supply chain. The processes are to be carried out in accordance with consumer requirements and with cost-efficient supply, production, and distribution, ensuring that the right products are delivered to the right place at the agreed time with the right quality (Gibson et al., 2005). The inbound flows are of key interest in this research since much of the ethical miss-conduct takes place in raw-material extraction and the early value-adding stages of a supply chain. Two functions working with inbound flows are sourcing and purchasing (Harland, 1997).

Reliability in the upstream supply chain is affected by factors such as resource depletion, raw-materials scarcity, political instability, competition, and accelerating technological change. In some markets the availability is high and reliable, while some markets are denoted by low availability and reliability. Depending on the situation, the purchasing actor needs to devise his strategy accordingly (Kraljic, 1983). It follows that strategic important materials that are hard to acquire demands that the buyer forms strategic alliances with suppliers, while materials with

low importance and abundant supply allows the buyer to push for low prices (Harrison & Van Hoek, 2005). It should here be noted that the size of the actors sets limitations of the negotiation power of the supply side. Retailing, for example, is being more and more dominated by large global actors. In turn, this means that small and medium sized suppliers lose negotiating power.

In recent decades, there have been changes in the world market. These include globalization, increased competition, and maturing of markets. Underlying mechanisms facilitating the changes include reduction in trade barriers, improved IT, and global transportation infrastructure (Hilletofth et al., 2007). An inherent effect of these new conditions on SCM is that actors in the supply chain move further apart (Cavinato, 2004). However, the increase in distance is not only geographical, but also cultural, which complicates collaboration (Lowson, 2001; Lowson, 2003; Warburton & Stratton, 2002).

Concurrently with increasing complexity in supply chain, an increased need for collaboration has risen. Companies nowadays need to understand consumer needs, not only the technology of the product they are producing (Christopher et al., 2004). As such, companies encounter differentiation areas that are related to supply chain issues, such as delivery options, or installation support (Hilletofth, 2012; MacMillan & McGrath, 1997). The importance of adjusting supply chains and allowing the consumer to have influence over its structure is not new (e.g. Christopher, 1972; Leonard & Sasser, 1982; Takuechi & Quelch, 1983). Thus, there have long been incentives, and maybe even a necessity, for companies to integrate and collaborate with actors in the supply chain. Given the nature of how a supply chain is managed, it ought to imply that companies have great knowledge of the events that take place upstream in the supply chain. Still, ethically questionable behavior by large companies is common in the news. Might it be the case, that long, complex, supply chains provide excuses, allowing companies to engage in unethical behavior?

### **3.2 Moral Aspects of Supply Chain Practices**

With a societal focus on ethics, companies may not only gain a competitive advantage by producing ethical products, it may also be seen as an obligation to provide consumers with information about the conditions in the supply chain, to enable the consumers to make informed choices (Beekman, 2008). However, purchasing departments might face intense pressure to reduce costs, which can cause the employees to deviate from the ethical guidelines (Carter, 2000; Razaque & Whee, 2002). If activities are outsourced, it might not be sufficient to rely on codes of conduct to ensure ethical standards upstream in the supply chain. There is evidence suggesting that companies need to shift from arms-length relationships to collaborative relationships, to ensure that ethical guidelines are followed (Lim & Phillips, 2008).

Given the common knowledge about working conditions in upstream supply chain, and that there is a need to not only focus on cost and transactions, it is hard to understand how companies construct their ethical guidelines as if to facilitate room for unethical behavior. Certain industries, such as shoes and apparel, are more likely to encourage unethical behavior. The reason being that the production is labor intensive and with limited automation, cost-reduction pressure is being increased to produce in low-cost countries, and complex supply chains (Park-Poaps & Rees, 2010). Thus, textile companies should be extra weary. H&M, however, has chosen to not take responsibility for raw-material extraction (Svensson, 2009), despite the fact that cotton harvesting made the news being performed by school children financing a military regime (Eriksson et al., 2013). Sony Ericsson has chosen a similar delimitation in their ethical guidelines, which only takes responsibility for their suppliers (Svensson, 2009).

Even if direct labor costs do not hold that significant proportion from total costs (5-10 % at best e.g. in textiles or electronics), a rather unequal world salary system creates temptation to utilize low cost countries in the labor-intensive phases. Labor competitiveness is not only due to the brutto salaries paid to the workers, but to 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 at an entirely different level as compared to lower East European and Asian countries. Actually, wage difference to Philippines and Sri Lanka, as being compared to Swedish total manufacturing wages, is more than 95 % - even to Poland the difference is 80 % (Bureau of Labour Statistics, 2012). As typically global corporations try to achieve earnings levels of 5-10 % in profit and loss statement (from revenues), quite frankly large proportion out of this arises from low cost country wages. It is not a source of sustainable competitive advantage, but could be useful to fulfill short-term profitability targets.

Companies do not only have an agenda for shareholders or profitability to go abroad, motivation could also be at individual level. During recent years several suspected practices from Asian supplier bribing or attempting to bribe managers or decision makers of west have been reported in newspapers (Jung et al., 2010; BBC, 2013). One of them was an Apple employee bribed by Asian suppliers during years 2005-2010 (Jung et al., 2010) and another one was a large contract manufacturer in hunt for new orders from west (BBC, 2013). How is this possible? Table 1 illustrates this situation further from macro economics point of view. To exemplify we have taken import and export figures from three countries, namely China, Germany and Sweden. The idea was to check import and export statistics of each country among the group of these three countries. Basically, Chinese import from Germany should match German export to China. Or Chinese export to Sweden should match Swedish imports from China.

As can be noted in Table 1, Chinese export reported among Chinese officials, is much lower than what has been reported in Germany or Sweden as import. Especially in China-German pair this difference is very significant. Basically, German tax officials report import to be 50 % higher in comparison to Chinese officials reported export. The situation is somewhat better with regard to China-Sweden pair. It is understandable that statistics from customs could not match entirely (e.g. due to transportation logistics time delay and consumer market intensity for the end of the year), and a difference of 0-10 % is understandable (like between Germany-Sweden pair). However, the shown large-scale differences enable bribes and monetary transfers. We are not saying that they especially exist between China and Germany or China and Sweden, but they are possible, and individuals in power could make decisions from their own point of view (instead of bringing benefits for the business or shareholders, or home country tax officials).

**Table 1.** Import and export of trade pairs as reported by respective three countries in United Nation's Comtrade service. Source (data, rest contribution of authors): United Nations (2013)

***China-Germany trade pair***

Year	China (import)	German (export)	Diff. (%)
2007	\$ 45,384,335,446.00	\$ 41,106,431,000.00	9.4%
2008	\$ 55,789,930,102.00	\$ 50,173,850,000.00	10.1%
2009	\$ 55,764,084,071.00	\$ 51,092,285,000.00	8.4%
2010	\$ 74,251,272,075.00	\$ 71,067,793,770.00	4.3%
2011	\$ 92,726,219,513.00	\$ 90,496,735,985.00	2.4%

Year	China (export)	Germany (import)	Diff. (%)
2007	\$ 48,744,144,230.00	\$ 75,047,643,000.00	-54.0%
2008	\$ 59,208,951,160.00	\$ 86,711,078,000.00	-46.4%
2009	\$ 49,919,564,279.00	\$ 77,501,267,000.00	-55.3%
2010	\$ 68,047,133,397.00	\$ 101,377,132,937.00	-49.0%
2011	\$ 76,399,999,430.00	\$ 112,184,062,343.00	-46.8%

***China-Sweden trade pair***

Year	China (import)	Sweden (export)	Diff. (%)
2007	\$ 4,141,799,598.00	\$ 3,291,192,166.00	20.5%
2008	\$ 5,038,148,391.00	\$ 3,990,538,432.00	20.8%
2009	\$ 5,453,817,411.00	\$ 4,114,584,653.00	24.6%
2010	\$ 5,907,904,520.00	\$ 4,860,657,220.00	17.7%
2011	\$ 7,116,605,579.00	\$ 6,061,758,408.00	14.8%

Year	China (export)	Sweden (import)	Diff. (%)
2007	\$ 4,550,029,712.00	\$ 5,296,175,458.00	-16.4%
2008	\$ 5,116,283,777.00	\$ 5,686,115,037.00	-11.1%
2009	\$ 4,156,381,490.00	\$ 4,558,648,777.00	-9.7%
2010	\$ 5,708,835,421.00	\$ 7,407,657,439.00	-29.8%
2011	\$ 6,566,883,398.00	\$ 6,842,224,071.00	-4.2%

***Germany-Sweden trade pair***

Year	Germany (import)	Sweden (export)	Diff. (%)
2007	\$ 19,454,572,000.00	\$ 17,666,346,299.00	9.2%
2008	\$ 20,914,525,000.00	\$ 19,083,565,483.00	8.8%
2009	\$ 14,533,525,000.00	\$ 13,357,551,850.00	8.1%
2010	\$ 17,526,308,620.00	\$ 15,246,295,431.00	13.0%
2011	\$ 19,709,846,825.00	\$ 17,980,753,706.00	8.8%

Year	German (export)	Sweden (import)	Diff. (%)
2007	\$ 29,737,171,000.00	\$ 27,986,155,929.00	5.9%
2008	\$ 30,494,306,000.00	\$ 29,875,826,497.00	2.0%
2009	\$ 22,181,990,000.00	\$ 21,472,499,555.00	3.2%
2010	\$ 26,015,441,243.00	\$ 26,758,232,370.00	-2.9%
2011	\$ 30,626,907,153.00	\$ 32,127,539,051.00	-4.9%

Trying to explain, why otherwise decent people engage in questionable behavior with regards to SCM, Eriksson et al. (2013) suggested that the structure of the supply chain might be the cause. The terms MD and MDP were coined to explain the phenomena. MD is defined as "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", and an MDP is defined as "a place where materials, information, and money may pass, but not the moral responsibility" (Eriksson et al., 2013, p. 13). An MDP is the result of a physical point in a supply chain that is likely to encourage moral disengagement. Moral disengagement is a set of mechanisms that, when active, obfuscates morality, while engaging in ethically questionable activities and behaviors (Aquino et al., 2007; Bandura et al., 1996; Bandura et al, 2001; Vollum & Buffington-Vollum, 2010). Eight forms of moral disengagement are described by Bandura (1999):

- (1) **Moral justification:** When people, prior to acting, justify the behavior to themselves. In essence, negative behavior is made acceptable by picturing it serving socially or moral worthy purposes. An example is to participate in war, and justify taking human lives by claiming it is part of fighting the ruthless oppressors. The perpetrators act on moral imperative and view themselves as moral agents.
- (2) **Euphemistic labeling:** When personal responsibility is reduced through relabeling of harmful behavior. An example is to use the term "neutralize a target", instead of "kill the enemy", or "bomb the airport and those inside". The result is that people become crueler when the actions are verbally sanitized.

- (3) **Advantageous comparison:** When harmful behavior is made to appear good. An example is to compare the effects of a war with the oppression of the current leaders of the country. In contrast misconduct can seem righteous.
- (4) **Displacement of responsibility:** When perpetrators of cruelty consider themselves to engage in their behavior due to external circumstances. An example is perpetrators who consider themselves to just follow orders. Thus, they are just performing what others have told them to do, with no power to control the situation.
- (5) **Diffusion of responsibility:** When personal accountability is reduced by diffusing the effects of the actions performed. An example is routinized, subdivided tasks that tends to shift focus from the end result to operational details and efficiency. This also occurs in group decisions, where everybody has responsibility, but the sense of responsibility is reduced.
- (6) **Disregard or distortion of consequences:** When the harmful results of activities are ignored, minimized, distorted, or disbelieved. An example is to disregard reports from those who are victims of the actions. In war time the technique has also manifested in putting distance between the perpetrator and the victim of the activities.
- (7) **Dehumanization:** When a person is stripped from his human qualities. An example is to call the victims “dogs” or refer to them negatively due to their ethnicity. Someone that is dehumanized does not have feelings, hopes, and concerns, and is considered a subhuman object.
- (8) **Attribution of blame:** When the actions are blamed on another part. An example is a conflict that escalates reciprocally and each new step is blamed on the counterpart’s previous step. It can also be caused when people feel themselves forced by an authority to engage in a certain behavior.

#### 4 Linking Moral Disengagement with Supply Chain Practices

MDPs are the combination of moral disengagement and the physical structure of a supply chain, and MD is the process separating moral responsibility from the logistics flows. Thus it is important to establish in what way a supply chain could cause MD before presenting the case companies’ supply chains. The first step is to link each disengagement technique with common supply chain practices. The linkages are summarized in Table 2.

Moral justification can be linked to SCM when there are activities that have both consequences and benefits. A common consequence linked to SCM is the emissions of green-house gasses. The choice to ship products, despite the pollution, could be that the transported goods are needed to sustain the health of the population in a region. For example, transporting food or medicine using air, boat, and road transport will emit pollution, but it will feed and treat people. Thus, the consequences are excused by a greater good.

Several SCM activities and practices have been given euphemistic labels. “Low-cost countries” are use to denominate underdeveloped countries to which business areas are outsourced. These countries might be in war, known for corrupt politics, and notorious for neglecting the wellbeing of workers. “Child labor”, even though not socially acceptable, is a label that pales in comparison to what these laborers really are subject to, such as lack of education and low salaries.

**Table 2: Linking moral disengagement with supply chain practices**

Moral Disengagement	Supply Chain Practice
Moral justification	Engaging in activities due to a greater good
Euphemistic labeling	Labels such as “low-cost country” and “child-labor”
Advantageous comparison	Comparing working conditions with economical consequences for the workers if jobs are moved Claiming to do business as competitors might have hidden agendas
Displacement of responsibility	Suppliers are responsible for upstream events Buyers are responsible for downstream events
Diffusion of responsibility	Tasks are divided over the supply chain/within a company Aggregation of materials reduces traceability Auction-like setting where everyone takes part
Disregard or distortion of consequences	Separation of extraction and production from purchasing and consumption
Dehumanization	Portraying employees as “working class” Using workers with mental abilities for dull and repetitive tasks Producing where caste-systems are existent
Attribution of blame	Hunt for lower cost to increase competitiveness Managers push employees/suppliers to reduce costs

The use of suppliers in countries with poor working conditions is reminiscent of advantageous comparison. Sometimes an alternative scenario including not doing business with a specific country is constructed, often including effects such as un-employment and slowed social progress. It could also be to excuse the selling of war material to unstable regions claiming that another country would do it otherwise and that they might have hidden agendas.

Displacement of responsibility is similar to the common supply chain practice of signing over the responsibility for upstream supply chain activity to the supplier, but it also applies downstream the supply chain. For example, the suppliers are contracted to ensure that their suppliers live up to certain codes of conduct, and an ammunition producing company could stipulate that their products are only to be used in peace-keeping actions.

Diffusion of responsibility applies in three ways to SCM. First, within a supply chain, different tasks are often divided among different companies, and different departments within a company. Second, supply chains which rely on aggregation of materials from several producers by a, for example, wholesaler, reduces the possibility to trace the origin of the materials. Third, materials and products which are sold in auctions presents a situation similar to group decisions, being that several buyers at once, are taking part in the purchase.

Disregard or distortion of consequences might be more likely to occur in a global trade. In global supply chains extraction and production are often separated with purchasing and consumption by great distance. It is unlikely that a purchaser in an industrialized country will have to face the day-to-day struggles of an under paid worker in a sweatshop on the other side of the globe. Thus, the consequences are neither disregarded nor distorted.

There are situations in which humans are stripped of their human value and properties, i.e. dehumanized. Different families, for example, might be perceived to have different status, such as “work class”. Workers with mental disabilities are used for routine tasks that are considered dull and repetitious for “intelligent” workers. The caste-system is also likely to encourage this behavior as the people in the lowest castes are considered to have less value and have received that caste due to their own actions.

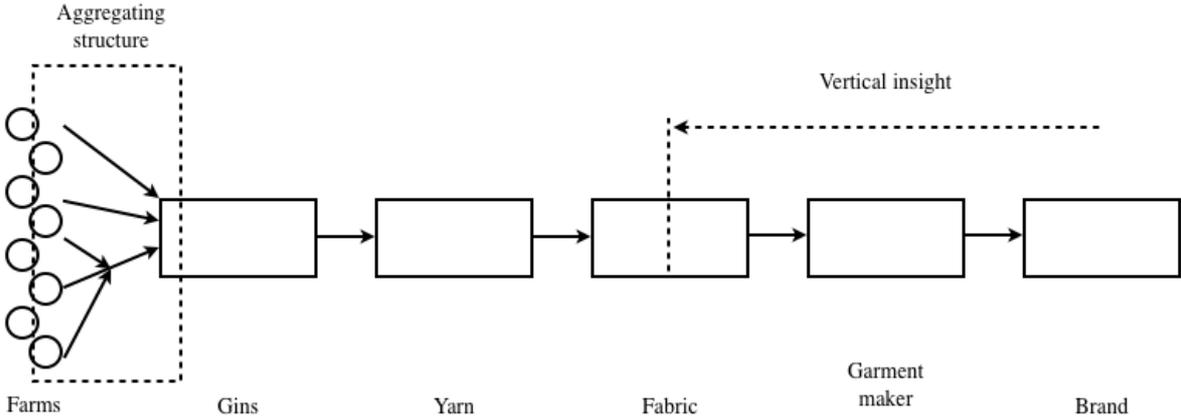
Attribution of blame can be identified in the quest for competitiveness. Being that cost-reduction is on the table to retain contribution margins in a low-cost market, purchasers are under a lot of stress reducing costs. This, and managers breathing down their neck, are two potential sources for blame, when ethical standards are not withheld. Certainly, the quest for reduced costs could also be blamed on the purchaser, as they select supplier based on price.

## 5 Case Study

In this section, the actual practices of the three case companies are presented. As mentioned earlier, the cases have been selected based on their unique properties in relation to this research, and for anonymity auxiliary information is kept minimal.

### 5.1 Cottonco

Cottonco is a Swedish-based company selling clothes using both stores and distance retailing. The upstream cotton supply chain is allocated to low-cost countries with suitable climate, including Bangladesh and India. The supply chain consists of farms, gins, yarn makers, fabric producers, and garment makers. The garment makers are the suppliers to Cottonco. Fibers from several farms can be mixed prior to the gin stage. Hence, the farms and gins have an aggregating structure, which reduces the possibility to trace the origin of the cotton. If the cotton is a part of a sustainable collaboration, such as Better Cotton Initiative, it is possible to trace the cotton from the gins, but not to individual farms. However, certified farms are used. External organizations, such as Textile Exchange and Control Union, monitor factories working with ecological cotton, in order to ensure that ecological cotton is separated from conventional cotton. For the clothes produced with ecological cotton, Cottonco demands transaction certificates from independent companies monitoring the inbound and outbound flows of cotton in the upstream processes, making sure that conventional cotton is not being relabeled as organic cotton. Conventional cotton, however, is harder to trace upstream the supply chain. Given that the garment maker has vertical functions, it is possible to trace the chain back to the yarn. In most cases, however, only the supplier of the fabric is known. The conventional cotton supply chain is illustrated in Figure 1.



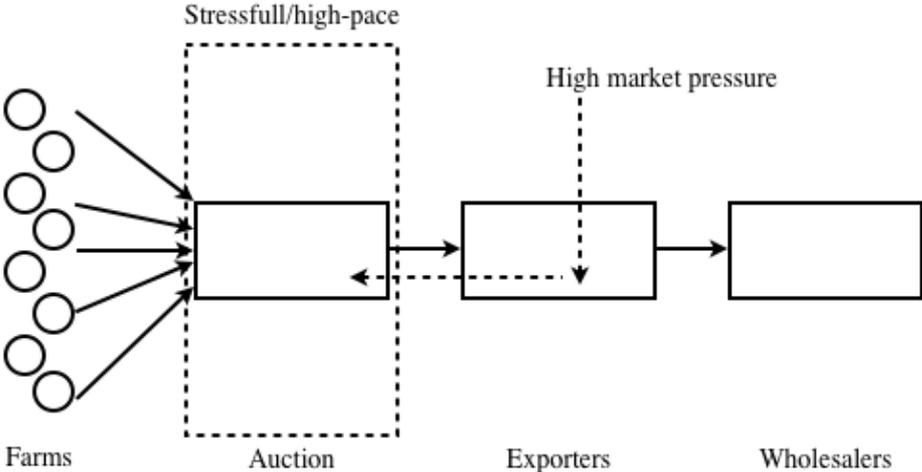
**Figure 1: Conventional cotton upstream supply chain structure**

Several aspects of Cottonco’s supply chain are interesting to highlight. Upstream activities are placed in low-cost countries that are also known for focus on societal classes. Moreover, the upstream activities are hard to trace and subdivided among several actors. The aggregation of materials prior to processing stages further complicates traceability. Efforts made to increase

the standards of the supply chain are reliant on external parties monitoring supply chain partners. The supply chain has a global reach, so great geographical and cultural distances are inherent. And, finally, the configuration of the supply chain is part of a quest to reduce prices.

**5.2 Flowerco**

Flowerco is as Swedish-based wholesale and retailing company. Flowers are sold using both stores and distance retailing, and are sold through own stores and by agents. The upstream supply chain consists of farms, an auction, and export companies. Flowers are supplied from all around the world. Flowerco is focusing on retailing flowers that are grown according to fair-trade and ecological guidelines. The structure of the chain facilitates traceability and farms may choose to take part in external certifications. Export companies visit the auction and take part in a Dutch auction on batches of flowers. The principle of the auction is that it starts with a price that quickly drops. The batch is sold to the first bidder. Thus, the setup is used to facilitate short trading times and keeping the product fresh. Expected demand is thus a big factor affecting the day-to-day price of flowers. The setting of the auction is very high-tempo and stressful. From the auction, flowers are distributed all across the globe. The flower supply chain is illustrated in Figure 2.



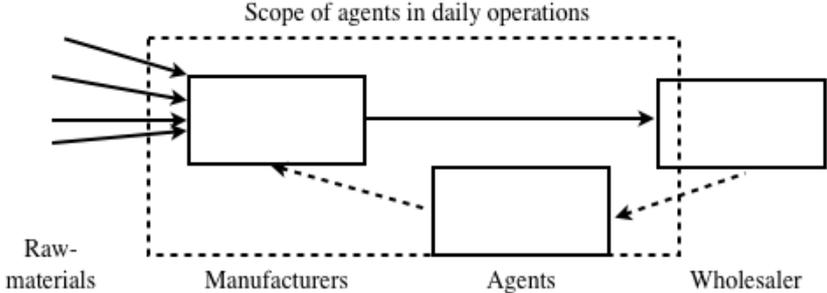
**Figure 2: Flower upstream supply chain**

The most defining trait of Flowerco’s supply chain is the auction. This is not unique for the business, but specific to their business area. The Dutch-auction setting creates a high-pressure situation, where several companies are engaged simultaneously. Even though production is placed in low-cost countries, it is not primarily a choice by Flowerco in pursuit of low prices, it is a result of climate and how global flower-trade is conducted. Certifications are used to control that the flowers are farmed according to specifications. The supply chain is dispersed on a global scale, with great distance between the actors.

**5.3 Furnitureco**

Furnitureco is a Swedish-based furniture developer and wholesaler. Furnitures are sold to consumers via independent retailers. The upstream supply chain consists of raw-material and manufacturers. The manufacturers are located in China. Production in low-cost countries is considered as a key to economic feasibility. Due to the distance, Furnitureco employs agents in China. Those agents have the responsibility to oversee daily operations and are present at the manufacturing plants. Sourcing of raw-material is done by the manufacturers, but Furnitureco

is confident in their ability to trace the origin of the material when needed. The furniture upstream supply chain is illustrated in Figure 3.



**Figure 3: Furniture upstream supply chain**

Furnitureco has focused on production in a low-cost environment to reduce the purchase price for products and parts. Manufacturing is monitored by external agents, who mainly focus on quality and logistics issues. The agents are those who have the primary insight to working conditions. Moreover, they are used to try and bridge the issues that are connected with the global scale of the business, such as communication and conformance to specifications.

**6 Analysis**

The case study has identified and described several supply chain practices that have been linked to moral disengagement techniques. There was, however, no evidence of practices linked with moral justification or advantageous comparison. Euphemistic labeling was evident at both Cottonco and Furnitureco, in that activities are performed in low-cost countries. All companies have separation between extraction and production, from purchasing and consumption, which has been linked to disregard or distortion of consequences. Cottonco has production facilities in India, a country with a history of segregation due to their caste system. Note that no misconduct has been discovered in this specific case, but it is nevertheless a setting where dehumanization has an increased likelihood to occur. Practices linked with attribution of blame were evident in both Cottonco and Furnitureco, since decisions were made due to lower costs, to maximize competitiveness.

Displacement of responsibility was discovered in all case companies and also in different shapes. Cottonco had no insight to upstream activities in their conventional cotton supply chain and no traceability to the farms in any supply chain. Thus, the fabric manufacturers are basically responsible for the upstream events in the conventional cotton supply chain and due to the structure of farms and gins, the gins have a responsibility in the ethical cotton supply chain. Flowerco relied heavily on certifications, which in essence moves responsibility for the ethics to an external company hired to monitor farming. Finally, Furnitureco, due to geography, relies on external agents situated close to the manufacturing.

Due to the inherent nature of global supply chains with divided tasks, diffusion of responsibility was evident at all case companies. Cottonco also exemplified how traceability to individual farmers may be removed due to practices in the upstream supply chain, thus removing insight to what raw-material is used, and also how much of it that can be expected to be found in a specific product. The flower auction also displays practices linked to diffusion of responsibility as several bidders at once, under a stressful setting, take place in the same bidding for products.

**Table 3: Summary of MD and MDPs**

Moral Disengagement	Supply Chain Practice	MD	MDP
Euphemistic labeling	Labels such as “low-cost country” and “child-labor”	Cottonco and Furnitureco produced in “low-cost” countries	No specific point
Displacement of responsibility	Suppliers are responsible for upstream events Buyers are responsible for downstream events	Cottonco had suppliers that were responsible for their own supply. Flowerco and Furnitureco had external companies responsible for upstream events.	Moral responsibility is decoupled at an upstream actor.
Diffusion of responsibility	Tasks are divided over the supply chain/within a company Aggregation of materials reduces traceability Auction-like setting where everyone takes part	Tasks were divided among several companies in the supply chain. Aggregated materials reduced traceability. Auctions creates a setting that might create excuses.	If viewed together, “production” can be considered an MDP. Points of aggregation can result in MDPs. An auction where several people are stressed and acting in competition as a group can result in an MDP.
Disregard or distortion of consequences	Separation of extraction and production from purchasing and consumption	All companies had long, and global supply chains.	A long transport link can act as an MDP.
Dehumanization	Portraying employees as “working class” Using workers with mental abilities for dull and repetitive tasks Producing where caste-systems are existing	Production was located in India, known for its caste system.	A factory where managers do not see workers as their equals can act as an MDP.
Attribution of blame	Hunt for lower cost to increase competitiveness Managers push employees/suppliers to reduce costs	Cottonco and Furnitureco strived to reduce prices.	No specific point.

To answer the research question, it must be clarified what kind of supply chain configurations are likely to result in MD. No examples were found of configurations that caused MD by moral justification. Euphemistic labeling was identified at both Cottonco and Furnitureco, since production was located to low-cost countries. This could raise the tolerance for poor working conditions, and thus be regarded as MD. No examples of advantageous comparison were found or could be illustrated. Displacement of responsibility was evident in two ways. First, when suppliers were responsible for upstream actions, but also when external parts (agents, certifications) monitored the upstream supply chain. Thus, both evidence of MD and MDPs have been found. Diffusion of responsibility was evident in three ways. First accomplished by divided tasks in the supply chain. If the tasks are considered as “production”, there could also be an MDP reaching over several stages of the supply chain. Second, aggregation reduces traceability and diffuses to what extent the raw-material of a product can be traced, and thus to what extent the product has been produced in an unwanted way. In that sense, points that aggregate and mix inbound flows can act as an MDP. Third, a highly stressful auction setting

is similar to a group activity and may give rise to an MDP. Disregard or distortion of consequences could arise in all companies due to the supply chains being global. Thus, not the structure per se, rather the structures distance can induce MD and create MDPs. Workers that are treated poorly and not considered equals to the management or owners might be dehumanized. This is likely to occur in countries where there are big differences in social classes, and the separation between classes is contributed to the actions of the individual. In such a case, the moral of the actions are given less consideration. Hence, a factory with those conditions result in both MD and an MDP. Finally, evidence of pursuing practices due to cost was found, a practice linked with attribution of blame that could cause MD. The identified practices causing MD and MDPs are summarized in Table 3.

It is evidently possible to make connections between supply chain practices and MD. MDPs seem to be a suitable way to explain MD in relation to activities in, or the structure of, a supply chain. It could also be an easier way for both academics and practitioners to understand the concept, given that SCM has a focus on nodes and links.

## **7 Concluding Remarks**

This research aimed to identify if and how supply chain practices are linked to moral disengagement techniques and thus might cause MD. The research has used some knowledge from psychology, which in combination with SCM theories has allowed to explain the studied phenomenon. By linking moral disengagement techniques with supply chain practices, the two research directions could be joined. Then, the case study observed the existence of the practices and in what supply chain configurations those practices might appear. Identified configurations that might cause MD are production in low-cost countries, suppliers and external parts responsible for upstream activities, division of tasks, aggregation of materials, auction-like settings, long supply chains, production where people are not considered as equals, and configurations made to reduce costs.

### **7.1 Theoretical Contributions**

This research has contributed to theory, as it has illustrated how common supply chain configurations can result in practices reducing the sense of moral responsibility by the practitioners in the supply chain. The research present a combination of two areas in a novel way, embarking on a path to understanding and explaining the relation between supply chain configuration and moral issues in a both deterministic and voluntaristic way. This, in turn, opens the door for a new way of understanding moral issues in global SCM using existing models developed by Bandura (Bandura, 1999; Bandura et al., 1996; Bandura et al., 2001). These aspects are also important if the agreed upon quality requested is dependent on the moral aspects of the product. Especially since conventional SCM does not focus on ethical issues. Aspects that might be even more pressing in manufacturing environments, similar to those described by Park-Poaps and Rees (2010), are signified by low automation and as labor intensive.

### **7.2 Practical Contributions**

This research contains practical contributions, as it can be used to guide companies on how to construct a supply chain likely to live up to the ethical expectations put on it. The research can be seen as a guide to potential pit-falls, where moral standards are likely to be reduced. If a supply chain is guided by these findings it will also have social implications. Responsibility for upstream activities can no longer be transferred to external or upstream parts in the supply chain. A conclusion that is similar to the transparency idea put forth by Svensson (2009), but here also explained from a psychological standpoint. The company seeking to improve the

moral actions in its supply chain must be committed to the activities taking place. Commitment, however, is hard to obtain with the global distances present in many supply chains. Thus, companies have basically two choices: to move production closer to the consumption, or to be present where the production takes place.

### **7.3 Limitations and Further Research**

The main weakness of this research is the depth of the research. Given that the field is novel, it was decided to do first a broad overview of the field. This has, however, helped to introduce research to this area and to provide a platform for future research. Keeping this in mind, the findings need to be subject to further investigations. Mainly, there is a need to investigate each configuration likely to cause MD and give rise to MDPs in-depth. One big issue with continued research, which also was a part of the decision resulting in this research taking the broader perspective, is that companies are reluctant to admit to un-ethical practices and practitioners are aware of what answers are considered correct. Companies with an outspoken ethical agenda are especially interesting to investigate in future research. If they have succeeded to improve their ethical performance it should, according to this research, be possible to find key choices made in SCM that eliminate practices and configurations that are likely to lead to MD and MDPs. Finally, it should once again be clearly stressed that none of the companies included in this research has been subject to critique due to misconduct in their supply chains. They were only chosen to exemplify practices and configurations.

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