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**Governing suppliers' compliance with
sustainability standards and enhancing
relationship performance: The perspective of
MNCs, and their suppliers in emerging markets**

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TIIVISTELMÄ:

Globalisaation ja siitä johtuvan kilpailun vuoksi monet monikansalliset yritykset ovat riippuvaisia kehittyvien markkinoiden tuottajista, jotka toimittavat ostajayrityksille sopimuksen mukaisia hyödykkeitä. On kuitenkin esimerkkejä siitä, että toimittajat rikkovat kestävän kehityksen käytäntöjä, mikä osoittaa, että monikansallisilla yrityksillä on vaikeuksia pyrkiä varmistamaan, että heidän kehittyvien markkinoiden tuottajat noudattavat kestävän kehityksen käytäntöjä. Monikansallisten yritysten käyttämistä mekanismeista, joilla ne pyrkivät varmistamaan, että niiden kehittyvien markkinoiden toimittajat noudattavat kestävyysstandardeja, ja parantamaan suhteiden toimivuutta, on vain vähän tietoa. Tämän tutkielman päätavoitteena onkin tutkia mekanismeja, joita monikansalliset yritykset käyttävät pyrkiessään siihen, että heidän kehittyvien markkinoiden tuottajat noudattaisivat kestävyysstandardeja ja parantaisivat kahdenvälisen suhteen tehokkuutta.

Tämän tutkielman käsitteellinen viitekehys on kehitetty tarkastelemalla olemassa olevaa kirjallisuutta, joka käsittelee tuottajaostajasuhteita, kestävyyttä ja sen merkitystä, että tuottajat noudattavat sitä, sekä mekanismeja, joiden avulla pyritään saamaan toimittajat noudattamaan kestävyysvaatimuksia. Tulokset viittaavat siihen, että kovat mekanismit, kuten kansainvälinen sertifiointi, täydelliset sopimukset, erityisinvestoinnit tuottajayritykseen, tuottajan raportointi yritysten yhteiskuntavastuusta ja monikansallisten yritysten yllätysvierailut tuottaja yritykseen, ja pehmeät mekanismit, kuten tuottajan maine kestävyuden alalla, monikansallisen yrityksen ja sen tuottajan välinen luottamus, tehokas viestintä monikansallisen yrityksen ja sen tuottajan välillä, monikansallisen yrityksen ja sen tuottajan välisen suhteen pituus sekä monikansallisen yrityksen ja sen tuottajan tulevan suhteen pituus, parantavat kaikki sitä, että tuottajat noudattavat monikansallisen yrityksen kestävyysvaatimuksia. Lisäksi havaitaan, että nämä kovat ja pehmeät mekanismit täydentävät toisiaan tuottajaostajasuhteen suorituskyvyn parantamisessa. Nämä havainnot auttavat monikansallisia yrityksiä ja poliittisia päättäjiä ymmärtämään useiden kovien ja pehmeiden mekanismien merkitystä pyrittäessä siihen, että tuottajat noudattaisivat kestävyysvaatimuksia ja parantaisivat suhteiden toimivuutta

AVAINSANAT: Tuottaja-ostajasuhde, Kestävyys, Noudattaminen, Kovat mekanismit, Pehmeät mekanismit, Tehokkuus

UNIVERSITY OF VAASA**Faculty of Management**

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ABSTRACT:

Due to globalization and resulting intense competition, many Multinational Corporations (MNCs) rely on their emerging markets' suppliers to provide specific components. However, there are examples of suppliers' violations of sustainability practices showing that MNCs struggle in seeking the compliance of their emerging markets' suppliers with sustainability practices. There is a limited understanding of the mechanisms that MNCs use to seek the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance. Therefore, the primary objective of this thesis is to explore the mechanisms MNCs use to seek the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance.

The conceptual framework of this thesis has been developed by reviewing the existing literature on supplier-buyer relationships, sustainability and importance of supplier's compliance with it, and the mechanisms for seeking supplier's compliance with sustainability. The findings suggest that Hard mechanisms including International certification, Complete contracts, Specific investments in supplier's company, Supplier's CSR reporting, and MNCs surprise visits to supplier's company; and soft mechanisms of supplier's reputation for sustainability, trust between MNC and its supplier, effective communication between MNC and its supplier, length of relationship between MNC and its supplier, and length of future relationship between MNC and its supplier all enhance supplier's compliance with MNCs sustainability standards. Additionally, it is found that these hard and soft mechanisms work complementarily in enhancing supplier-buyer relationship performance. These findings help MNCs, and policy makers understand the role of several hard and soft mechanisms for seeking suppliers' compliance with sustainability and enhancing relationship performance.

KEYWORDS: Tuottaja-ostajasuhde, Kestävyys, Noudattaminen, Kovat mekanismit, Pehmeät mekanismit, Tehokkuus

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1 INTRODUCTION

1.1 Background of the study

With the increased globalization and resulting reduction in trade-barriers, a growing number of multinational corporations (MNCs) from developed countries have outsourced their up-stream activities to suppliers in emerging markets for capitalizing on lower labor costs (Lartey et al., 2021). However, this outsourcing of up-stream activities to suppliers in emerging markets has exposed MNCs to a challenge of suppliers' non-compliance with MNCs proposed sustainability practices (Huq & Stevenson, 2018). MNCs from developed countries develop their codes of conducts for suppliers in emerging markets and expect their suppliers to comply with these codes of conducts.

However, there are examples of suppliers' non-compliance with MNCs' codes of conduct and that brought immense criticism on MNCs for failing to manage the sustainability obligations of their emerging markets' suppliers (Asif, Jajja & Searcy, 2019). For example, a fire in Baldia- apparel factory in Pakistan during 2012 caused 260 lives, and the collapse of the Rana Plaza factory in Bangladesh in 2013 resulted in closure of around 220 garment factories, and loss of 150,000 jobs (Asif, Jajja & Searcy, 2019). Similarly, other MNCs such as Apple, Nike, and Walmart, have also been criticized in the past for failing to seek compliance from their suppliers in developing countries (Pedersen, 2006). Negative incidents like these don't just damage the MNCs' reputation, but also cause customer protests, sales reductions, and lessen the overall profitability of MNCs (Pedersen, 2006). Therefore, it is very important for MNCs from developed countries to seek sustainability compliance from their emerging markets' suppliers.

Prior research highlights the importance of seeking the compliance of emerging markets' suppliers with MNCs' sustainable practices (e.g. Asif, Jajja & Searcy, 2019; Pedersen, 2006), however significant gaps remain in our understanding of mechanisms MNCs use

to enforce the said compliance with sustainability standards and enhance relationship performance. The primary objective of this study is to explore these mechanisms MNCs use to seek the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance.

1.2 Research question and objectives of the study

The previous discussion steers the course of present thesis. The main objective of present thesis is to explore the mechanisms MNCs use to seek the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance. Accordingly, the main research question of this thesis is :

How do MNCs govern the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance.

The main objective has been further divided into four sub-objectives that each try to explore the literature findings of relationships performance, sustainability, and compliance mechanisms from different angles. These sub-objectives are ;

(1) To study the conceptualization, characteristics, and relationship performance of supplier-buyer relationships.

This objective aims to analyze the basics of supplier buyer relationships through various different aspects, which will lay the groundwork for the study and support the thesis overall.

(2) To increase understanding about the conceptualization and types of sustainability, and importance of suppliers' compliance with sustainability standards.

Similarly as the first objective, this one is crucial regarding the basic information in the thesis, but focus is on understanding sustainability as a concept and its affects on suppliers.

(3) To explore the mechanisms MNCs use to seek the compliance of their emerging market suppliers with sustainability standards.

The purpose of this objective is to find out many different mechanisms that MNCs use that together form the compliance strategy. It aims to explain what mechanisms are used, and what are their key characteristics.

(4) To explore the role of mechanisms in enhancing the supplier-buyer relationship performance.

The last objective combines the previous ones and focuses on the main effects the revealed mechanisms actually have on supplier buyer relationships, rather than just on the mechanisms themselves. The central idea is analyzing the differences these mechanisms achieve and what the combination of them can lead to.

1.3 Delimitations of the study

The focus point of this study is on how multinational corporations (MNCs) govern the sustainability compliance of their suppliers in emerging markets, what mechanisms they use, and how the mechanisms influence supplier–buyer relationship performance. Several delimitations were established to have a manageable scope and focused analysis.

Being a literature-based study that uses secondary data as the source of information, the study has not collected or developed any new information for the support of the analysis. The study is mainly written from the perspective of the MNCs as buyers, instead of the suppliers view to keep the focus manageable. Geographically the study focuses on

suppliers in emerging markets, because they often have unique challenges in governance, that are rarely seen in more developed economies. Regarding sustainability perspectives, environmental and social sustainability are the main point of focus due to their relevance in supplier compliance contexts, rather than focusing on the economic performance of the suppliers. Due to focused analysis, the mechanisms are also clearly divided between hard and soft mechanisms in this study. The utilization and benefits of both are handled, but actual hybrid mechanisms have purposefully been left out of the study. These delimitations keep the analysis focused and understandable while aligning with the study's primary objective to explore the mechanisms MNCs use to enforce supplier sustainability compliance and effect it has on relationship performance in emerging markets.

1.4 Definition of key terms

The key terms used in this thesis are defined below.

Corporate social responsibility: The social impact a company has on its stakeholders and environment in areas such as social obligations to society. (Boyd et al., 2007) The primary focus of it is on the company's accountability for the social actions it takes.

Social sustainability: An area of sustainability, which focuses on characteristics that are avoiding social failures, and improving employee and community health and welfare. (Huq, 2016).

Responsible supply chain actions: Actions that companies take to ensure their supplier comply with said actions related to social issues regarding the company and its operations. (Yawar & Seuring, 2017).

Stakeholders: Are defined as being a group or individual who are affected by the company's actions, or can affect the company itself (Huq, 2016).

Sustainability Compliance: The action of suppliers meeting the set minimum sustainability standards required by the multinational corporation in their code of conduct (Fontana, 2024).

Hard Mechanisms: Formal governance tools such as contracts, audits, and certifications aiming to ensure compliance with standards and regulations. Hard mechanisms are rooted in control-based logic of Transaction Cost Theory (TCE). (Ryciuk, 2020).

Soft Mechanisms: Soft mechanisms are informal governance tools based on trust, shared norms, and mutual understanding, that drive cooperation in supply chain partners without relying on formal contracts or legal enforcement (Ryciuk, 2020).

Sustainable Supply Chain Management (SSCM):

The management of material, information, and financial flows within supply chains while taking into account environmental, social, and economic goals. It emphasizes responsibility across all supply chain tiers (Seuring & Müller, 2008).

Compliance:

The process organizations utilize to ensure their operations, and the behavior of their employees are according to laws, regulations, and standards (Parker, 2017).

Code of Conduct (CoC):

According to ScienceDirect-Topics, "the Code of Conduct provides guidance to staff on how to comply with the laws and regulations and operate in accordance with the General Business Principles."

Transaction Cost Economics (TCE):

A theory used to understand governance decisions based on cost minimization and risk reduction. It supports the use of hard mechanisms like contracts and audits. (Williams-son, 2010).

Relational Exchange Theory (RET):

Process tied to interaction between business partners focusing on mutual dependence, trust, and the development of shared norms and values, which will guide behavior in the partnership (Ivens, 2004).

Opportunism:

Self-serving behavior by suppliers that may violate agreements or standards. Governance mechanisms aim to reduce opportunism through monitoring or relationship-building (Liu et al., 2009).

Emerging Markets:

Countries that are transitioning from developing to developed markets due to rapid growth and integration in the global economy, but have problems regarding for example, poverty, poor infrastructure and overpopulation (Cavusgil, Ghauri & Akcal, 2013).

1.5 Previous studies

Key studies related to the topic of this thesis are summarized in below table 1.

Table 1. Previous studies

Table 1. Previous studies

Studies related to governing suppliers' compliance with sustainability standards				
Author(s) / Year	Focus of the study	Theoretical roots	Methodology	Findings of the study
Yawar & Seuring (2017)	Categorizing and reviewing mechanisms used by firms to	Stakeholder Theory	Literature Review (62 articles)	Soft mechanisms improve long-term compliance; hard mechanisms are often insufficient alone.

	address social issues in supply chains.			
Alghababsheh & Gallear (2020)	Examining how social capital influences the relationship between supplier development mechanisms and social performance.	Social Exchange Theory	Quantitative (198)	Social capital enhances the effectiveness of collaborative mechanisms in improving supplier social performance.
Delbufalo & Bastl (2018)	Exploring how multi-principal collaboration affects supplier compliance with codes of conduct.	Transaction Cost Theory	Qualitative (Multiple Case Study)	Multi-buyer collaboration improves supplier compliance by reducing information asymmetry and increasing monitoring legitimacy.
Porteous et al. (2015)	Studying how incentives and penalties influence supplier compliance and risk mitigation.	Transaction Cost Theory	Quantitative (174)	Suppliers are more responsive to incentive-based governance; reliance on penalties alone can increase resistance.
Studies related to the role of mechanisms in fostering/enhancing supplier-buyer relationship performance				
Author(s) / Year	Focus of the study	Theoretical roots	Methodology	Findings of the study
Paulraj & Blome (2017)	Analyzing how different environmental governance mechanisms affect triple bottom line outcomes.	Social Exchange Theory	Quantitative (175)	A combination of hard (evaluation) and soft (collaboration) mechanisms improves sustainability performance across TBL dimensions.
Martinen et al. (2023)	Exploring how governance mechanisms are used across multiple supply chain tiers to enforce sustainability.	Sustainability Literature	Qualitative (Exploratory Multiple Case Study)	Interactive (soft) and imposed (hard) mechanisms together yield better supplier engagement and innovation.
Boyd et al. (2007)	Proposing a procedural justice perspective for implementing CSR in global supply chains.	Social Exchange Theory	Conceptual with Empirical Examples	Procedural justice (fairness, voice, transparency) strengthens supplier trust and willingness to comply with CSR demands.

1.6 Structure of the thesis

This thesis has two chapters that support each other, as well as a list of references at the end. Both chapters are important to the thesis and serve their own purpose. In chapter one, titled Introduction, general and informative knowledge about the main subject is highlighted, giving an understanding of the context of the paper. Chapter one includes subsections explaining the background, research question and objectives, key terms, delimitations, and structure of the thesis. These subsections provide objectives for the study and explain how it has been done.

The chapter 2 is the literature review, which focuses on reviewing the main ideas of the thesis through literature findings regarding supplier-buyer relationships, sustainability, mechanisms of compliance, and the importance of the mechanisms. Supplier-buyer relationships are handled first by explaining their definitions, characteristics, and performance, based on academic articles regarding the topic. Secondly, the main topic is analyzed through the sustainability compliance perspective with focus on the conceptualization, types, and importance of sustainability compliance in supplier buyer relationships.

After sustainability, the thesis continues to hard-, and soft mechanisms that are used to enhance sustainability compliance in emerging market suppliers. Multiple hard and soft mechanisms are investigated and their characteristics explained. Lastly, in the thesis the roles of previously mentioned mechanisms are analyzed further. The thesis ends with a conclusion that includes a summary of the main findings and future research suggestions, followed by the list of references used in this thesis.

2 Literature Review

2.1 Supplier-buyer relationships

MNCs, that include foreign suppliers as a part of their global operations and supply chains, rely heavily on the relationship with said suppliers. These relationships are interdependent, and both parties influence each other's effectiveness, transparency, and long-term success with their shared actions (Dyer & Singh, 1998). Both the MNC and the supplier are willing participants in the common agreement on co-operation, that should be beneficial for both, or the relationship won't be long-lasting. Even though they are working together, both companies in a relationship may have their individual goals and strategies they strive towards, which can shape cooperation between the companies (Håkansson, 1995). The MNC may wish for a reliable partner that ensures the MNC receives what they need for smooth and continuous operations, while the suppliers' requirements might be alternative.

A supplier-buyer relationships are inevitable concepts between companies where one acts as the buyer, who needs products or services to support their business from the other that is able to provide said products or services. Through the interactions between them, they will develop a relationship that defines how they operate together, regardless of the length, practices or success of their collaboration. This relationship is crucial to managing the smooth flow of goods, services, and information between businesses (Dyer & Singh, 1998). The relationships themselves may vary and can be purely transactional, but it's also possible for them to be deeper, strategic partnerships with a focus on shared benefits and long-term collaboration.

2.1.1 Definition of supplier-buyer relationship

A supplier-buyer relationship refers to the collaboration between companies that purchase goods or services, and the companies that supply said goods or services

(ScienceDirect, 2023). It can be defined by the extent to which buying and supplying companies interact, while aiming to share operational and business knowledge and expertise (Loury-Okoumba, 2018)

Supply chain relationships have been generally viewed from a financial perspective, in which price, efficiency, and agreements mattered the most. As globalization and sustainability concerns have increased, many multi-national companies have also adopted sustainability strategies and moved towards relational governance models. Models like these highlight the importance of trust, commitment, information sharing, for achieving long-term partnerships and shared benefits (Heide & John, 1992; Jap & Ganesan, 2000).

According to “relational rents” -theory created by Dyer & Singh (1998), when MNCs and suppliers utilize relation-specific investments, open communication routines, and effective management mechanisms, they can benefit from competitive advantage in internal resources as well as from the unique capabilities developed in close partnerships with the supplier.

Relational norms in business relationships, such as solidarity, flexibility, and transparency, can enhance compliance and reduce the need for using hard mechanisms to force compliance. (Joshi & Arnold, 1998). Especially in situations where both are dependent on each other, these norms can help identify shared goals and reduce opportunistic behavior in suppliers. Liu et al. (2009) argues that the combination of both hard and soft mechanisms of compliance implementation is important for suppressing opportunism and improving relationship performance in the context of emerging markets.

MNCs that have global supply chains, which involve emerging market suppliers, the quality of supplier-buyer relationships affects both operational efficiency and ensures compliance with sustainability standards, because for example, relationships with frequent communication and interaction with partners, have been observed to be more successful in sustainability implementation (Huq, 2016).

This is why, supplier-buyer relationships are also understood as strategic assets for both parties. When they are successful, they can enable trust, reduce operational risks, and enhance both compliance and innovation in their collaboration. This thesis, will examine these relationships in terms of structure and the mechanisms used to govern and measure the effectiveness of compliance to achieve sustainable performance outcomes.

2.1.2 Characteristics of supplier-buyer relationship

The nature of supplier-buyer relationships can depend on multiple different factors such as communication, trust, dependence, and contracts. Effective supplier-buyer relationships make it more likely for multinational corporations to achieve efficiency, cost reduction, and sustainability compliance, in their supply chains, even when sourcing from emerging markets (Heide & John, 1992).

In the supplier-buyer relationship both the buyer and the supplier have their own goals and risks they must account for. Buyers may want to have reliable suppliers who function according to the buyers' demands to make sure their operations run smoothly, and they won't face major setbacks due to suppliers' actions. However, the suppliers have their own wants as well, that might include financial performance goals and other targets they want to achieve without having to cater to the buyers demands, if they would make their operations more difficult. To diversify risks, suppliers can develop relationships with multiple different buyers operating in the same industry. This way, the suppliers aren't dependent on the one buyer and are better able to avoid having to follow CSR standards because they have diversified the risks of non-compliance away. (Delbufalo & Bastl, 2018)

Non-compliant behavior hurts business relationships of many suppliers and collaborating buyers. One proposed way of tackling the issue would be by developing common standards and CSR practices, where MNCs would act consistently same way regarding social and environmental issues, making it more difficult for suppliers to find buyers that put up with non-compliant behavior. (Delbufalo & Bastl, 2018)

More co-operative methods to achieve compliance in supplier-buyer relationships include many dimensions and characteristics that can determine how effective their partnership can become. These are for example building trust and having open communication (Heide, & John, 1992). These kinds of relational characteristics are particularly important for understanding how supplier-buyer relationships function and develop, especially in the context of global supply chains involving emerging market suppliers, when risks and expectations are high. However, according to Alghababsheh and Gallear (2020), when there's high levels of social capital between the MNCs and their suppliers, it can provide better alignment of values, mutual learning, and improved social performance, even if formal mechanisms are insufficient.

An important characteristic of supplier-buyer relationships is trust, which is based on the shared understanding that the business partner will operate in a fair, reliable, and successful manner (Jap & Ganesan, 2000). Trust reduces the need for continuous monitoring and hard enforcement practices while encouraging suppliers to comply with agreements and sustainability expectations on their own (Jap & Ganesan, 2000; Zaheer et al., 1998).

Usually in global supply chains, multinational corporations have significantly more power than their suppliers, especially in developing countries. The power is seen as lesser dependence on suppliers, power to control specific details and governance power among other manifestations. While power can be used to enforce compliance to different matters the MNCs deem important, excessive enforcement can also damage the quality of relationship and have negative effects. Delbufalo & Bastl, (2018) argue that transparent decision making, and collaboration can reduce power imbalances and increase supplier responsiveness.

Dependence relates to the power dynamics and general supplier-buyer relationship closely. It is a widely accepted finding in the literature that dependence generates

compliance (Joshi, 2020). Suppliers who are dependent on one single buyer can often be more willing to comply with the buyer's requests, but such dependence can also create challenges in the relationship. Joshi and Arnold (1998) found that relational norms have a major impact on dependence and its relation to compliance. Their findings indicate that even highly dependent suppliers are more cooperative when the relationship is based on mutual respect and flexibility as dependence increases compliance only when relational norms are high. (Joshi & Arnold, 1998). These characteristics describe many supplier-buyer relationships, but as the situations are always unique, there is no blueprint for success and the actual relationship performance is affected by things such as adaptivity, commitment, and reliability

2.1.3 Supplier-buyer relationship performance

The performance of supplier-buyer relationships is a critical factor in determining the success of the supply chain. Performance is often measured based on operational, financial, and relational metrics (Jap, 1999). It is also increasingly viewed not only through the lens of costs and efficiency, but with more strategic dimensions in mind such as learning, and sustainability practices. For MNCs, having reliable relationships with their suppliers can enhance efficiency in their operations by reducing risks and utilizing the benefits of collaborative business. At the same time, it can be helpful from the sustainability perspective across the supply chain as well.

Key factors influencing relationship performance include operational efficiency, financial performance, general satisfaction, compliance with sustainability, and other indicators that may be important to both suppliers and buyers. MNCs often rely on supplier compliance mechanisms, such as audits, certifications, and sustainability training programs, to avoid risks and ensure compliance with environmental and ethical guidelines (Huq, 2016).

Efficient collaboration in operations reduces lead times, improves product quality, and optimizes inventory management, which can lead to lower costs and higher productivity (Handfield, 2000).

Regarding financial performance, the main benefits of strong and reliable supplier-buyer relationships are cost savings, revenue growth, and improved return on investment due to less wasted money on unnecessary actions in the supply chain, closely relating to operational efficiency as well (Lambert & Cooper, 2000).

A major outcome of successful business relationship regarding performance is relational stability, which is gained and maintained through long-term collaboration, mutual understanding, and consistent communication. Relationships that have high levels of trust more often experience reduced transaction costs and faster conflict resolution, when committing to shared goals (Zaheer et al., 1998). High levels of satisfaction more often lead to long-term partnerships, reducing the risks with supplier switching (Nyaga et al., 2010). Especially in the context of sustainability compliance, stability is very important, because suppliers are more likely to make investments towards sustainability and behavioral changes when they believe the relationship is secure (Alghababsheh & Gallear, 2020).

Closely related to stability is the development capabilities and learning. When MNCs and their suppliers engage in knowledge exchange frequently, it can lead to process improvements, innovation, and improved social and environmental performance, if the shared knowledge is informative and utilized well into the existing processes. These relational benefits aren't easy to replicate artificially and can develop into competitive advantages for both (Dyer & Singh, 1998). For example, suppliers might become more willing to share valuable information that helps the buyer, if they feel like the relationship is collaborative and will benefit them rather than purely transactional (Boyd et al., 2007).

Reduced opportunism is another great performance dimension. Opportunism refers to behaviors where personal gain for the company is central and may harm their partners

directly or indirectly. In contexts where there is high misalignment on goals or a lot of communication issues, strong relational norms and monitoring mechanisms for both parties can reduce the likelihood of such behavior (Liu et al., 2009). Opportunism is difficult to eliminate entirely, but its negative impacts can be managed and reduced when the relationship has mutual trust, shared expectations, and relational continuity (Joshi & Arnold, 1998).

Joint problem-solving and adaptability can also contribute to stronger relationship performance. In complex environments affected by regulatory shifts or stakeholder pressures the buyers and suppliers who are able to collaborate effectively can respond faster to the arising challenges. This kind of adaptability makes sure sustainability compliance is not treated as just a mandatory requirement, but as a continuous capability that can also help enhance resilience (Delbufalo & Bastl, 2018).

Supplier–buyer relationship performance can be measured through more than just financial metrics of cost or output. It should include deeper qualities like trust, development capabilities, resilience, and goal alignment. These influence both the success of sustainability initiatives and the overall effectiveness of their strategic partnership in the MNCs global supply chains. Prior research has measured performance in various different ways that can all be useful in varying scenarios but in this thesis the main point of view is through the successfulness of sustainability compliance in suppliers in similar manner as previous studies have done for example from Paulraj & Blome (2017) and Delbufalo & Bastl (2018), because of aligning objectives and focus points.

2.2 Sustainability and importance of suppliers' compliance with sustainability

2.2.1 Conceptualization of sustainability

Sustainability as a concept has evolved over time to encompass environmental, social, and economic considerations. The best accepted definition defines sustainability as development “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” It was stated in the Brundtland Report by the 1987 UN Commission on Environment and Development. This definition includes the long-term perspective of sustainability, that needs a balance between economic growth, environmental care, and social responsibility.

In supply chain management, the concept of sustainability is analyzed through Sustainable Supply Chain Management (SSCM). Seuring and Müller (2008) define SSCM as the integration of environmental, social, and economic goals into the management of material, information, and financial flows. It also affects management of corporate relationships in the global supply chains of MNCs. Responsibility for sustainability includes both upstream and downstream partners in the supply chain who are all affected by the results of their sustainability practices and their actions, especially if the company has suppliers in emerging markets, as they can often have alternative practices.

Climate change and environmental challenges are known as core sustainability issues, but companies are also increasingly interested in social sustainability issues, especially if they operate in emerging markets where problems of economic instability and unsafe working conditions are prevalent. Yawar and Seuring (2017) highlight that “the social dimension of sustainable development and its impact on supply chains have so far received less attention than the environmental dimension” indicating a critical area for further research and managerial action.

Sustainability is increasingly seen as a strategic issue, that is affected by stakeholder demands, regulatory pressure, and reputational risk. For multinational corporations, ensuring sustainability compliance throughout the supply chain is more than an optional

action. It is essential for legitimacy, resilience, and long-term value creation (Carter & Rogers, 2008; Huq, 2016).

There are multiple different definitions of sustainability that address the same topics, but this thesis uses the previously mentioned Burtland Report definitions along with an aligning statement by Seuring & Müller, 2008 that defines sustainability as the integration of economic, environmental, and social goals in business operations, that aims to meet present needs and ones of future generations. This definition is chosen because it addresses issues from similar perspectives, as in this thesis. In this context, sustainability is not seen as a fixed goal but as an integrated process in the company's operations, that requires ongoing collaboration, adaptation, and governance. This perspective provides understanding of how MNCs govern compliance in their global supplier networks, particularly through the use of hard and soft mechanisms, which will be addressed later in this thesis.

2.2.2 Types of sustainability

Sustainability in supply chains is often divided into three dimensions regarding different approaches to same issues. The dimensions are about environmental, social, and economic sustainability. The origin of this classification is called the Triple Bottom Line (TBL), which is a sustainability framework introduced by Elkington (1997), that focuses on balancing the sustainability performance among people, planet, and profit. It argues that companies that strive for sustainability in their supply chains should focus on all three dimensions simultaneously for best results. Stakeholders of multinational companies are increasingly holding MNCs responsible for environmental and social performance of their suppliers, which affects the reputation of the companies. (Seuring & Müller, 2008) Companies can often influence these topics, but the context of the situation, available resources and different stakeholder pressures can affect them differently, making the actual implementation less straight forward (Seuring & Müller, 2008).

Environmental sustainability contains the responsible use of natural resources and the reduction of environmental harm, including decisions regarding climate change. (Dyllick & Hockerts, 2002). Actual actions companies can take regarding environmental sustainability are practices such as reducing waste, pollution control, adopting renewable energy sources, and eco-friendly sourcing strategies. Companies may also face challenges in the implementation of environmental sustainability when they operate with emerging market suppliers, because of weaker regulatory frameworks and resource management differences that make environmental compliance less certain with the suppliers (Huq et, 2016).

Social sustainability involves human well-being, equality, inclusion and ethical business practices throughout the company. This includes efforts to eliminate child labor, ensure workplace safety, respect human rights, and support community development in the supply chain (Gimenez et al., 2012; Huq, 2016). Historically environmental sustainability has received more attention in society, but recent developments see social sustainability gaining more attention by stakeholders due to reputational risks and growing consumer awareness (Yawar & Seuring, 2017). Huq (2016) Argues that social sustainability can be understood as in avoiding harmful practices like labor exploitation and actively improving health, education, and livelihoods in supplier communities. In global supply chains, social sustainability often relates to issues regarding human rights, safety, and emerging market communities. These issues can be things like child labor, working conditions, and society development (Huq, 2016)

Lastly, economic sustainability focuses on long-term financial success while integrating ethical and responsible business practices (Schaltegger et al., 2012). These may include maintaining cost efficiency in the business, providing stable employment for workers, and having effective operations without exploiting labor or natural resources, all while making a profit. Importantly, these economic goals should be in balance with social and environmental considerations to avoid issues that have the potential to affect overall sustainability negatively (Seuring & Müller, 2008).

Many multi-national companies focus mainly on one dimension over others, but the most effective sustainability strategies can integrate all three dimensions to achieve long-term competitive advantage and meet stakeholder expectations regarding sustainability on all levels. (Carter & Rogers, 2008; Seuring & Müller, 2008). The three main dimensions of sustainability focus on environmental-, social-, and economic sustainability, but this thesis focuses primarily on social and environmental sustainability due to the limited understanding on how suppliers show their compliance and take responsibility to these complex issues that affect societies globally.

2.2.3 Importance of suppliers' compliance with sustainability

Multinational corporations have an important role in enforcing sustainability in the world. They can point the direction of sustainable development and have a big impact on the lives of people, especially in emerging economies. Many MNCs do have sustainability strategies, but sometimes their own sustainability is not enough for their customers because companies are increasingly being held responsible for the impacts of their suppliers (Seuring and Müller, 2008). Growing complexity and development of global supply chains has pushed MNCs to increasingly rely on emerging market suppliers. It is important to ensure suppliers compliance with sustainability standards for maintaining ethical supply chains and reducing negative impacts MNC could face from the lack of monitoring (Seuring & Müller, 2008). MNCs, with suppliers in emerging markets, that provide them with materials, components, and products, are being more and more aware of the sustainability of their suppliers regarding environmental, social and economic performance. (Huq, 2016). Multinational companies, in addition to their internal practices, need to make sure their sustainability practices are also implemented by their suppliers in emerging markets. (Huq, 2016.) If they don't, they might face issues such as reputation loss later, if customers find out the MNC is collaborating with a supplier operating in unsustainable ways such as utilizing child labor.

Suppliers' compliance with sustainability standards is essential for MNCs to ensure, if they have global supply chains. Compliance is not just a legal topic, but a strategic one affected by external pressure, stakeholder expectations, reputational risk, and supply chain resilience. Seuring and Müller (2008) argue, companies are more than ever being held responsible for the environmental and social impacts of their suppliers, especially in lower-tier and offshore sourcing contexts.

From a reputational and risk management perspective, emerging market suppliers' non-compliance can have severe consequences for the MNC. These consequences include media scandals, legal liability, customer loss, and disruptions to operations. For example, In 2013 a factory collapsed in Rana Plaza, Bangladesh, which caused the deaths of over 1100 people and led to major backlash for the MNCs that were operating in the factory due to lack of safe working conditions (ILO, 2023). Porteous et al. (2015) identify how non-compliance with social and environmental standards can escalate from minor issues to large public crises that require immediate action and changes. Their findings indicate that for best sustainability compliance, both incentives and penalties should be implemented to direct supplier behavior.

The growing emphasis on sustainable development goals (SDGs), ESG performance, and ethical consumerism further reinforces the need for proactive compliance strategies. According to Yawar and Seuring (2017), suppliers' alignment with CSR initiatives not only protects the MNC from reputational harm but also improves long-term performance and social legitimacy. This perspective sees compliance as part of a broader strategy of corporate responsibility and stakeholder engagement. One key reason for companies to use CSR initiatives is the effect of reputation (Delbuffalo & Bastl, 2018)

In addition to the possible reputational risks, compliance in the supplier-buyer relationship can support stability and predictability. MNCs that won't ensure sustainable practices among their suppliers can also often experience hidden costs through waste, inefficiencies in operations, and costly labor issues (Porteous et al., 2015).

Sustainability compliance can be seen as a strategic investment for the relationship. Carter and Rogers (2008) argue that sustainable supply chains increase value by reducing risk, improving innovation, and enhancing stakeholder trust, which indicates that compliance should be deep rooted in the culture and capabilities of suppliers rather than just enforced in contracts.

2.3 Mechanisms for seeking supplier's compliance with sustainability

2.3.1 Hard mechanism

Hard mechanisms are strategies that multinational companies use to ensure suppliers comply with sustainability standards that include legal, regulatory and financial ways of enforcing suppliers to operate in desirable manner and make them aware of expectations and consequences for non-compliance. (Yawar & Seuring, 2017). These mechanisms are for example industry-wide standards, monitoring, and certifications providing suppliers with frameworks for sustainable practices in business. Even third-party certifications can make enforcing sustainability easier for the MNCs because it allows them to not spend time and resources in managing relationships with their suppliers on behalf of sustainability. (Marttinen, 2023). Often buyers don't have endless time and ability to directly govern suppliers' internal systems and processes, making such third-party certifications (such as ISO 9001) effective ways of avoiding any possible regulatory gaps. (Huq, 2016)

One of the most widely used hard mechanism MNCs enforce on their suppliers is the implementation of their codes of conduct. According to Yawar & Seuring (2017), Codes of conduct and standards are the most common supplier compliance actions.

Codes of conduct generally define a firm's expectations about ethics and sustainability expectations regarding labor practices, environmental topics, and human rights. Codes

of conduct work as an important compliance tool, especially when operating in low-visibility or high-risk regions in emerging markets (Yawar & Seuring, (2017). However, enforcement and monitoring are often also needed in addition to the code of conduct to ensure compliance.

MNCs can organize frequent supplier audits internally or with the help of third-party organizations to review if their suppliers are operating according to the standards that were agreed upon in contracts or codes. Short and Toffel (2021) highlight that effectiveness of such audits may differ based on how they are planned and implemented. For example, using multiple audit companies, and maintaining the element of surprise in timing can lead to more realistic results. However, they also point out that audits can create unrealistic compliance if they are not combined with other measures and consequences.

In the following, several hard mechanisms are discussed:

Mechanism 1: ISO and other certifications

Multi-national companies may require suppliers to provide proof of sustainability actions with third-party certifications and management systems, such as Sedex and ISO standards (Marttinen, 2023). Certifications, such as ISO 14001, regarding environmental management or SA8000, regarding social accountability, serve as hard mechanisms through external validation method of supplier's actions towards sustainability standards. While certifications can provide legitimacy and reduce direct monitoring costs of MNCs, the effectiveness of the certifications also depends on the continuous commitment of the supplier. Certifications may work as indicators of compliance across several different levels of the supply chain, but they are often implemented unevenly (Marttinen, 2023). Based on the above discussion the following proposition is developed:

Proposition 1: International certifications enhance suppliers' compliance with MNC's sustainable standards

Mechanism 2: Contracts

Contracts between the MNC and their suppliers are legally binding agreements that outline specific requirements regarding operative actions and sustainability practices for suppliers. Contracts help MNCs enforce compliance and reduce reputation risks. Sustainability clauses may include commitments to ethical labor practices and fair-trade principles, as well as environmental actions like carbon footprint reductions (Gereffi et al., 2005). Based on the above discussion the following proposition is developed:

Proposition 2: Complete contracts enhance suppliers' compliance with MNC's sustainability standards

Mechanism 3: Transaction-Specific Investment/Interdependence

Investing in suppliers' capabilities to improve their sustainability performance can be a smart act for MNCs. These kinds of investments as mechanisms could include providing funding for new technology or equipment that makes sustainability goals more achievable (Paulraj & Blome, 2017). Another example is to invest in training programs on ethical labor practices to raise understanding in the suppliers and therefore create better potential for continuous compliant behavior. Buyers that invest in their supplier relationships are more willing to perform relationship maintenance actions such as complying with supplier requests because relationship continuance is necessary to ensure return of the value of their specific asset investments (Joshi, 2020). Achieving social performance objectives is another important role that the training and education of emerging market suppliers can have from the multinational buyer's perspective (Huq, 2016)

Investment can enhance supplier dependency on the buyer and vice versa, thereby increasing further commitment in the relationship and reducing opportunistic behavior. From a Transaction Cost Economics (TCE) perspective, investments act as management tools that can reduce uncertainty, align common targets, and ensure predictability from suppliers (Paulraj & Blome, 2017). By creating structural interdependence, the buyer

reduces the likelihood of non-compliance, as the supplier becomes more reliant on the relationship for sustained business

Alghababsheh and Gallear (2020) also support this by arguing that supplier development practices such as technical and ethical training have a major effect on the improvement of social performance objectives. Building suppliers' capabilities to comply with sustainability standards internally has a positive effect on the long term, even in emerging markets. Based on the above discussion the following proposition is developed:

Proposition 3: Specific investments in suppliers' company enhance supplier's compliance with MNC's sustainable standards

Mechanism 4 CSR Reporting

Corporate Social Responsibility reporting is a common mechanism used to receive data externally on sustainability key performance indicators from the suppliers. When MNCs require this data, it can establish accountability and increase transparency in their relationship. CSR reporting that's combined with shared monitoring of several buyers' side companies, can significantly reduce information asymmetry and supplier opportunism (Delbufalo & Bastl, 2018). Corporate Social Responsibility reporting demands suppliers to disclose their sustainability performance, including environmental impact such as carbon footprint, social actions in local communities, and their management structures. CSR implementation on suppliers should be done in a just manner, being ethical, correctable, transparent and inclusive. (Boyd et al., 2007) Based on the above discussion the following proposition is developed:

Proposition 4: Supplier's CSR reporting enhances supplier's compliance with MNC's sustainability standards

Mechanism 5: Surprise Visits

Multinational corporations can try to make sense of their supplier's actual compliance by having unannounced audits and inspections to the suppliers' locations to especially find out about labor practices, working conditions and waste management, among other important factors relating to sustainability (Short & Toffel, 2021). This allows the MNC's to get a firsthand look at the suppliers' practices while reducing the possibility of manufactured compliance to the agreed standards. For example, if the visit was announced beforehand, a supplier that doesn't follow the agreements could arrange operations to look like all is correct, even if the actual conditions were totally different. This kind of supplier behavior can damage the reputation of both parties when revealed to the public, even if the MNC did not know about it. (Locke et al., 2007). However, supplier monitoring like this can easily damage supplier-buyer relationships. Procedural measurement actions are more likely to increase supplier compliance and maintain the relationship. (Boyd et al., 2007) Based on the above discussion the following proposition is developed:

Proposition 5: MNC's surprise visits to supplier's company enhance supplier's compliance with MNC's sustainable standards

2.3.2 Soft mechanisms

Opposite of legal enforcement and other hard mechanisms soft mechanisms rely mainly on relationships, trust, and long-term partnerships to encourage sustainable supplier behavior (Alghababsheh & Galleary, 2020). These mechanisms allow the companies to build a culture of compliance, making it an effective part of MNCs sustainability strategies in addition to hard mechanisms. The combination of both hard and soft mechanisms may lead to desired results.

Some soft mechanisms are, for example, the supplier's reputation with sustainability, shared trust and loyalty in the business relationship, relationship duration, and future orientation of both parties involved. In the following several soft mechanisms are discussed:

Mechanism 1: Reputation with Sustainability

MNCs often select and keep working with suppliers with strong sustainability reputations to allow their operations to continue smoothly and reliably, while avoiding risks and costs related to frequent supplier switching. From the supplier's perspective, having a reputation of ethical sourcing and environmental responsibility, makes them more desired partners for MNCs, while benefitting of having reliable income through long-term partnerships. These benefits in return can create an incentive to continue operating sustainably and avoid opportunistic behavior (Chatterji et al., 2009). Based on above discussion following proposition is developed:

Proposition 6: Supplier's reputation for sustainability enhances supplier's compliance with MNC's sustainable standards

Mechanism 2: Trust

Trust is a crucial factor in supplier-buyer relationships that can determine the future and direction of the partnership. Trust between buyers and suppliers maintains compliance without the need for strict enforcement measures. Trust-based relationships encourage suppliers to perform sustainability practices without MNC enforcement, which increases cooperation and shared value creation. Higher levels of trust reduce the need for hard mechanisms like contracts and certifications, which supports trust as an alternative method to hard control tools. (Zaheer et al., 1998). Based on the above discussion the following proposition is developed:

Proposition 7: Trust between MNC and its supplier enhances supplier's compliance with MNC's sustainable standards

Mechanism 3: Communication

Open and continuous communication regarding expectations provides an environment of mutual understanding and can help achieve compliance objectives. Communicating and planning in multiple ways can enhance trust and transparency in relationships and

on sustainability goals. For example, announcing audits in advance may support partnership and trust, promoting learning and faster improvement (Short & Toffel, 2021) Communication like this can turn a hard mechanism like auditing into relationally soft, supporting the idea combining mechanisms. Based on the above discussion the following proposition is developed:

Proposition 8: Effective communication between MNC and its supplier enhances supplier's compliance with MNC's sustainable standards

Mechanism 4: Relationship Duration

Supplier-buyer relationships that have lasted a long period of time can be a valuable asset to both parties involved. If the shared experience is successful without any major challenges, both are likely to continue operations with the existing partner. Long-term partnerships often have better results in compliance with sustainability expectations. Alghababsheh (2020) show that trust driven governance mechanisms encourage voluntary compliance better than purely enforced compliance of following demands.

These reliable partnerships encourage suppliers to align sustainability targets to maintain the business relationship with the buyer (Heide & John, 1992). Based on the above discussion the following proposition is developed:

Proposition 9: Length of relationship between MNC and its supplier enhances supplier's compliance with MNC's sustainable standards

Mechanism 5: Future Orientation (Length of Future Relationship)

It is often in the interest of both parties to have a long-lasting partnership if the operations are successful and reliable. Suppliers are also more likely to invest in sustainable practices when they predict having long-term contracts with the buyer. The expected continuous benefits of the business relationship can act as an incentive for suppliers to comply with sustainability standards to ensure future collaboration (Gualandris & Kalchschmidt, 2016). Based on the above discussion the following proposition is developed:

Proposition 10: Length of future relationship between MNC and its supplier enhances supplier's compliance with MNC's sustainable standards

2.4 Role of mechanisms in fostering/enhancing supplier-buyer relationship performance

Multinational corporations have multiple great mechanisms to use for risk reduction of suppliers' non-compliance and opportunism by decreasing communication issues, increasing bargaining power and using both rewards and sanctions as well as reputation-based safeguards. (Delbufalo & Bastl, 2018) By employing hard and soft mechanisms, MNCs can effectively enforce supplier compliance with sustainability standards while creating collaborative partnerships and long-term sustainability improvements in their supply chains. Current research on interfirm exchange governance shows that companies should utilize multiple mechanisms for managing supplier-buyer relationships and supply chains (Liu et al., 2009)

Hard mechanisms can often provide structure and enforceability in the relationship, but the main challenge of using only hard mechanisms is their limited relational value. However, hard mechanisms can be essential in situations that involve high risk, limited trust, or regulatory exposure, to enforce minimum compliance which will help to avoid unnecessary problems related to regulations for example. Paulraj and Blome (2017) explain that evaluation-based approaches like audits are mostly based on financial factors that emphasize control over collaboration.

Operating in this way may increase short-term compliance but might not succeed in developing deeper behavioral change or supplier engagement if implemented in by pure enforcement. When hard mechanisms are applied without supplier involvement, these mechanisms can create resistance, affect power dynamics negatively, and harm relational trust (Paulraj & Blome, 2017). For example, frequent auditing might help with

short-term compliance but can also cause challenges if it's deemed intrusive or distrustful without fair treatment and clear communication (Short & Toffel, 2021). Supplier development strategies that increase trust and commitment in partnerships can achieve better improvements in social and economic performance for the company (Yawar & Seuring, 2017)

Alvarez, Pilbeam, and Wilding (2010) suggest that the supply chain governance mechanisms shouldn't be thought of as fixed variables that are decided at the start of a relationship, but instead, should develop all throughout the relationships based on situational differences. (Marttinen, 2023). By leveraging both hard and soft mechanisms, MNCs can foster high-performing supplier-buyer relationships that not only meet sustainability standards but also drive business excellence and competitive advantage in global markets. Nevertheless, when hard mechanisms are applied transparently and fairly, they can foster procedural justice, which in turn strengthens supplier identification with the buyer and builds a foundation of respect (Boyd et al., 2007).

Soft mechanisms such as mutual trust, open communication, and long-term co-operation, affect relationship performance directly. They enable deeper, longer-lasting compliance. Joshi & Arnold (1998). These mechanisms are critical for navigating sustainability challenges as they enable joint learning, problem solving, and adaptability. High levels of trust reduce the need to monitor the suppliers constantly, allowing both parties to invest in the relationship and share sensitive information (Zaheer et al., 1998; Dyer & Singh, 1998).

Alghababsheh and Gallear (2020) demonstrated that social capital related relational mechanisms significantly improve suppliers' social performance, especially when formal governance structures are weak. It is important to remember that these mechanisms do not work solitarily as well as combined. The most effective management practices combine both hard and soft mechanisms as practical tools, rather than substitutes for each other. Paulraj and Blome (2017) argue that MNCs can observe the best results for

sustainability when they have a balanced use of evaluation mechanisms and collaboration mechanisms, having both control and trust in the relationship. Similarly, Marttinen (2023) found that MNCs that utilize both hard and soft compliance mechanisms such as certifications and audits with shared sustainability development strategies may have better results in innovation, and long-term performance in the supplier-buyer relationship.

The literature indicates that performance benefits of using multiple governance mechanisms are more than just MNCs achieving general compliance from their suppliers. Strong relationships increase resilience and can often reduce opportunistic behavior (Liu et al., 2009). Shared value creation through collaboration is another benefit that neither party could achieve just by themselves (Dyer & Singh, 1998). A clear observation is that mechanisms which promote commitment and relational continuity can develop a cooperative environment where suppliers are not just compliant but also actively advance shared sustainability goals.

Sustainability compliance enforcement mechanisms work best when they are strategically selected and applied according to situational contexts (Paulraj & Blome, 2017). The challenge for MNCs is not just in selecting the correct mechanisms but also utilizing them in combination and ways that support long-term value creation in business, supplier-buyer relationships, and sustainability factors.

Proposition 11: Hard and soft mechanism work as complementary in enhancing with supplier-buyer relationship performance.

2.5 Conclusions of the study

2.5.1 Summary of the findings

The main objective of present thesis was to explore the mechanisms MNCs use to seek the compliance of their emerging market suppliers with sustainability standards and enhance relationship performance. To tackle this objective, an extensive literature review was conducted to function as the base of this thesis. In particular, the conceptual framework of this thesis is developed by reviewing the prior literature on supplier-buyer relationships, sustainability and importance of supplier's compliance with sustainability, and hard and soft mechanisms for seeking supplier's compliance with sustainability.

The key findings of this thesis include multiple valuable insights such as:

Supplier's compliance with MNCs sustainable standards is very crucial because of lack of compliance not only damages the MNCs reputation, but also cause customer protests, sales reductions, and lessen the overall profitability of MNCs (Pedersen, 2006). Current research finds that buying MNCs use several hard and soft mechanisms to seek supplier's compliance with MNCs sustainability standards and enhance relationship performance of Supplier-buyer relationship. In particular, it is found that hard mechanism such as international certifications, complete contracts, Specific investments in supplier's company, Supplier's CSR reporting, and MNC's surprise visits to supplier's company enhance supplier's compliance with MNCs sustainable standards (Yawar & Seuring, 2017; Paulraj & Blome, 2017; Marttinen, 2023; Delbufalo & Bastl, 2018; Short & Toffel, 2021).

Further, it is found that soft mechanisms of supplier's reputation for sustainability, trust between MNC and its supplier, effective communication between MNC and its supplier, length of relationship between MNC and its supplier, and length of future relationship between MNC and its supplier all enhance supplier's compliance with MNC's sustainable standards (Alghababsheh & Galllear, 2020; Joshi & Arnold, 1998; Dyer & Singh, 1998). Furthermore, it is found that these hard and soft mechanisms work as complementary in enhancing supplier-buyer relationship performance (Paulraj & Blome, 2017). These findings help MNCs managers and policy makers in understanding the role of several

hard and soft mechanisms for seeking suppliers' compliance with sustainability and enhancing relationship performance. These findings are summarized in below figure 2.

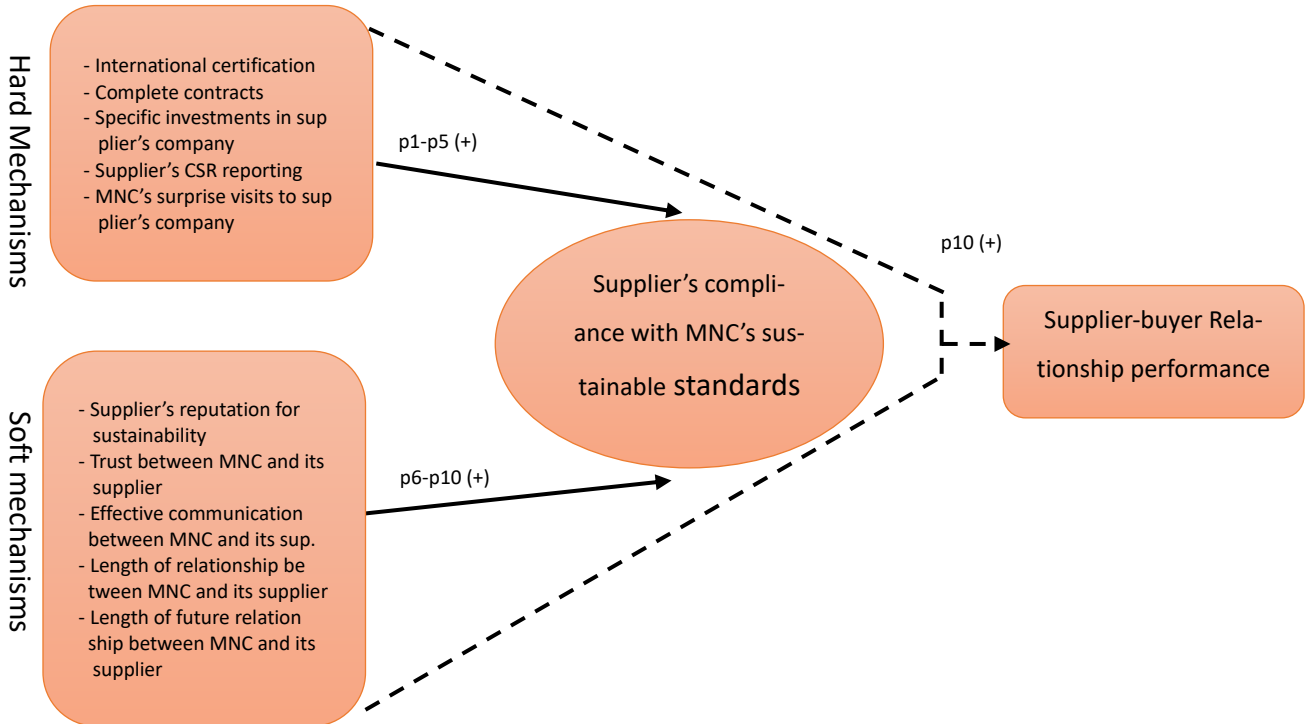


Figure 2. Conceptual model of the study

2.5.2 Future research suggestions

This thesis addresses the supplier-buyer relationship performance and sustainability compliance thoroughly, but further reference suggestions exist, nevertheless.

The focus of this thesis was primarily on the MNCs emerging market suppliers, which opens the possibility of further research to focus on suppliers from other regions and markets or different sectors of business. For example, industry specific studies on different geographical locations and varying company sizes could be studied to gather even more specific information of successful compliance mechanisms, operative measures and culturally specific supplier-buyer relationship characteristics.

Another possible alternative focus point of further studies could be to study the concept of sustainability compliance and supplier-buyer relationships from the perspective of the suppliers. Understanding suppliers' specific needs might enhance supplier-buyer relationship performance in addition to the buyers' perspectives on the topic. Supplier perspectives could allow studying the effects of enforced compliance further and help analyze the development of voluntary sustainability practices from the point of view of long-term supplier benefits.

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