

# Reducing forced labour in supply chains: what could traditional companies learn from social enterprises?

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chains

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## Abstract

**Purpose** – Forced labour is one of the most exploitative practices in supply chains, generating serious human right abuses. The authors seek to understand how relationships for reducing forced labour are influenced by institutional logics. The emerging supply chain efforts of social enterprises offer particularly intriguing approaches, as their social mission can spur creative new approaches and reshape widely adopted management practices.

**Design/methodology/approach** – The authors study supplier relationships in the smartphone industry and compare the evolving practices of two cases: the first, a growing novel social enterprise; and the second, a high-profile commercial firm that has adopted a progressive role in combating forced labour.

**Findings** – The underlying institutional logic influenced each firm's willingness to act beyond its direct suppliers and to collaborate in flexible ways that create systematic change. Moreover, while both focal firms had clear, well-documented procedures related to forced labour, the integration, rather than decoupling, of forced labour and general supply chain policies provided a more effective way to reduce the risks of forced labour in social enterprises.

**Research limitations/implications** – As authors' comparative case study approach may lack generalizability, future research is needed to broadly test their propositions.

**Practical implications** – The paper identifies preconditions in terms of institutional logics to successfully reduce the risk of forced labour in supply chains.

**Originality/value** – This paper discusses how social enterprises can provide a learning laboratory that enables commercial firms to identify options for supplier relationship improvement.

**Keywords** Social enterprise, Forced labour, Relational view, Institutional logic

**Paper type** Research paper

## Introduction

Article 8 of the [International Covenant on Civil and Political Rights \(1966\)](#) states: "No one shall be required to perform forced or compulsory labour." Nevertheless, 27.6 million people in the world currently are trapped in forced labour, with 86% in the private sector ([International Labour Organization ILO, Walk Free Foundation and International Organization for Migration, 2022](#)). Forced labour is a deeply exploitative practice that produces extreme human right abuses, depriving people of their freedom to move, to work, and – for children – to attend school. The extent and severity of these detrimental consequences have pushed an increasing number of customers and non-governmental organizations to demand that multinational corporations, particularly those with complex and opaque supply chains, identify effective ways to address and remedy the problem.



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Given the systemic challenges that contribute to the problem of forced labour, along with many weaknesses and barriers that inhibit improvement, commercial firms must look beyond their slowly evolving industry practices or the well-intentioned advice (but often infeasible) of non-governmental organizations (NGOs) for practical guidance and best practice. While commercial enterprises are dominated by an economic logic, a social-welfare logic is at the core of a social enterprise. When combined with some degree of economic logic, this social-welfare logic can spur creative insights combined with pragmatic relevance and might reshape widely adopted management practices. Thus, social enterprises can provide a learning laboratory that enables commercial firms to identify options for their own improvement, in much the same way that large technology firms learn from smaller venture capital investments.

While earlier research (e.g. [Pullman et al., 2018](#)) has demonstrated that social enterprises use different relationship management practices compared to traditional companies, it is unclear how effective these practices are in reducing forced labour. To address these needs, this study seeks to answer the following research question: *Are social enterprises able to reduce forced labour by developing different relationship management practices? And if so, by what means?* Using the Relational View as a theoretical lens, we show that knowledge-sharing routines and effective governance are important sources of competitive advantages for reducing forced labour in a social enterprise context. Furthermore, we aim to understand the impact of multiple institutional logics on the effectiveness of supplier relationships for reducing forced labour, which in turn might support a better understanding of the underlying mechanisms.

To address these questions, we focus on a social enterprise in the electronics industry using a comparative, explorative research design. To elucidate novelty, complexity and innovativeness, we benchmark the practices of a social enterprise with an illustrative, very successful, for-profit electronics firm that also has adopted a progressive role in combating forced labour. Based on our analysis, we developed a set of research propositions that link institutional logics to the Relational View, which point to an effective pathway to reduce the risk of forced labour.

Our research contributes to the literature of forced labour in the supply chains, with particular attention to social enterprises. Unfortunately, this literature often neglects supply chain management issues such as relationship management (exceptions are [Battilana and Lee \(2014\)](#) and [Sodhi and Tang \(2016\)](#)). An institutional logic perspective is particularly informative in this context (e.g. [Longoni et al., 2019](#)): Individual and organizational behaviour are embedded and influenced by their broader social and institutional context, which consequently provides an opportunity for agency and change ([Thornton and Ocasio, 2008](#)). Here, the focus is on comparing two cases, which enable a deeper understanding about how social enterprises blend the commercial and social-welfare logic into their supply chains to effectively adapt and improve traditional supply chains. In doing so, social enterprises might break conventions of for-profit firms, span sectoral boundaries, and experiment with different ways of organizing and managing. Moreover, consistent with [Pullman et al. \(2018\)](#), we assume that the dominant institutional logic, as well as institutional complexity, informs supply relationships when managing forced labour.

The paper is organized as follows. In the next section, we review the literature on institutional logic, highlight the conditions of forced labour in international supply chains and consider how the Relational View might address this problem. Following this, we discuss our research methodology and present our comparative analysis of a social enterprise and a commercial firm in the smartphone industry. The analysis gives rise to a discussion on how institutional logic impacts supply relationships and practices in social enterprises for reducing forced labour.

## Literature review

### *Institutional logics*

[Friedland and Alford \(1991\)](#) established the idea of an institutional logic as a value and belief system by which a particular social world works. As such, institutional logics are principles that prescribe “how to interpret organizational reality, what constitutes appropriate behaviour, and how to succeed” ([Thornton, 2004](#), p. 70). These logics are evident as a historical pattern of values, beliefs, rules and practices, from which organizations act and provide meaning to their social reality ([Thornton and Ocasio, 1999](#), p. 804). Differences in cultural norms, symbols and practices of different institutional orders, such as markets or communities, in turn, become embedded in organizational beliefs and decision-making. Or as stated by [Thornton \(2004, p. 12\)](#) “Institutional logics, once they become dominant, affect the decision of organizations . . . by focusing the attention of executives toward the set of issues and solutions that are consistent with the dominant logic and away from those issues and solutions that are not.” Moreover, institutional logics define what is appropriate or legitimate behaviour, and renders other actions unacceptable or even beyond consideration ([Powell and DiMaggio, 2012](#)).

Accommodating externally requested or imposed social transformations, such as reducing forced labour, creates tensions if an organization’s underlying institutional logic is poorly aligned with this social objective ([Longoni and Cagliano, 2015](#)). The commercial logic demands profitability and efficiency, structured around the goal to sell products and services in the market while producing an economic surplus ([Friedland and Alford, 1991](#)). In contrast, social-welfare logic is developed based on norms in a community, legitimization is established by shared goals, trust and reciprocity ([Thornton et al., 2012](#)), and its aim is to make products and services available that address social needs ([Pache and Santos, 2013](#)).

Companies with an economic logic face significant challenges to respond to demands to reduce forced labour in supply chains from stakeholders, particularly NGOs or communities who are neither customers nor regulators. Thus, alternative institutional logics, such as a social-welfare logic, might better accommodate different practices or implementation cultures to reduce or discourage forced labour. Institutional logics also might explain why certain practices are chosen, despite having no obvious, immediate economic return ([Berrone et al., 2010](#)).

Social or hybrid enterprises provide an excellent context to explore such alternative institutional logics, as they operate at the nexus of two dominant logics, i.e. social-welfare and commercial logics ([Longoni et al., 2019](#)). Their combination is expected to influence the management of supply chain relationships that facilitate the reduction of forced labour. Of particular note is a Combinatory approach ([Pullman et al., 2018](#)), merging social needs of people with the economic need to provide a commercially viable product or service. This approach tends to separate the social-welfare and commercial logics between upstream and downstream sides of the supply chain. Moreover, the combinatory approach often must overcome inadequate infrastructure, create novel distribution channels, and address inadequate training and different cultural norms around work and financial transactions ([Pullman et al., 2018](#)). While much of this characterization can speak to the challenges of forced labour in supply chains, this approach also points to potential insights that meet the social need to reduce forced labour and the economic need to be financially viable for multiple tiers of for-profit suppliers (including emerging economies).

### *Forced labour in global supply chains*

According to the *ILO Forced Labour Convention*, Article 2.1 ([International Labour Organization ILO, 1930](#)), forced labour is “All work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself

voluntarily". Forced labour includes slavery, debt bondage and human trafficking (International Labour Organization (ILO), Walk Free Foundation and International Organization for Migration, 2022) and is one of several forms of exploitative "unfree" labour (see Table 1). In supply chains, forced labour – also known as forced labour exploitation – is a human rights violation, and often labelled as an indecent form of work (LeBaron, 2021). Despite its illegality in most countries, forced labour remains widespread in many supply chains today (Crane *et al.*, 2019).

The use of forced labour usually occurs in simple, labour-intensive, low-technological supply chains, such as domestic work, agriculture, mining, construction, manufacturing and prostitution (Gold *et al.*, 2015). Thus, forced labour tends to be embedded in supply chains related to footwear, food, electronics, construction and hospitality (Allain *et al.*, 2013; LeBaron, 2018). Not only do these supply chains tend to use less-educated workers who are more easily exploited but also have labour costs that are a high proportion of total costs, or rely on work in dangerous, seasonal or low-visibility activities (i.e. private, remote, illegal) (Allain *et al.*, 2013). Such work tends to be undesirable and poorly paid, which in turn draws in migrants, or impoverished and marginalized groups who have few options and are less able to defend themselves against potential abuses. Workers hired through agents or recruitment agencies also tend to be more vulnerable (Hidron and Koepke, 2014). Unfortunately, these conditions and pressures often overlap and interact to amplify the threat of forced labour.

Within supply chains, some business practices also increase the odds of forced labour, including outsourcing, poor governance, irresponsible sourcing and strong power

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#### Definitions concerning "unfree" labour

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Forced labour	Forced labour is any work or service that people are compelled or coerced to do against their will, usually under threat of punishment (Anti-Slavery International, 2023)
Modern slavery	Modern slavery can be described as when an individual is exploited by others, for personal or commercial gain. Whether tricked, coerced or compelled, they lose their freedom. This term includes, but is not limited to, human trafficking, forced labour and debt bondage. In 2021, an estimated 50 million people were in modern slavery situations, either forced to work against their will or in a marriage they were forced into (Anti-Slavery International, 2023)
Human trafficking	Human trafficking is the recruitment, transportation, transfer, harbouring or receipt of people through force, fraud, coercion or deception, with the aim of exploiting them for profit (Anti-Slavery International, 2023)
Debt bondage	People who experience debt bondage have often been deceived into working for little or no pay. In many cases, they are forced to repay extortionate fees associated with their recruitment, accommodation or food, with no control over the debt they have accrued. Most or all of the money they earn goes to repay their "loan" (Anti-Slavery International, 2023)
Precarious work	Precarious work describes non-standard or temporary employment that may be poorly paid, insecure, unprotected, and unable to support a household. This term is frequently associated with the following types of employment: part-time, self-employment, fixed-term, temporary, on-call, and remote (Fudge and Owens, 2006)
Aspirational: decent work	Decent work sums up the aspirations of people in their working lives. In a general sense, this work is productive and delivers a fair income; offers security in the workplace and social protection for all; provides better prospects for personal development and social integration; encompasses freedom for people to express their concerns, organize and participate in the decisions that affect their lives; and fosters equality of opportunity and treatment for all women and men (International Labour Organization ILO, Walk Free Foundation and International Organization for Migration, 2022)

**Table 1.**  
Multiple of forms of  
oppressed labour

**Source(s):** Created by authors based on definitions in the literature

imbalances across supplier tiers. These practices tend to contribute to the uneven distribution of profit margins among supply chain members, creating an environment prone to forced labour (Sung *et al.*, 2021). Moreover, many global supply chains have created a division between production in low labour-cost developing countries, and consumption in high labour-cost developed countries. Buying companies have become brand-companies that do not own production facilities, thereby escaping legal responsibility for the management of labour in these supply chains (Reinecke and Donaghey, 2021). Suppliers often compete for orders by lowering labour standards and suppressing the democratic organizing of workers. Furthermore, these production workers also do not have access to the national institutions in developed countries that regulate the behaviour of the buying company. Some recent studies have emphasized that the greater value captured by retailers and large brand companies (located in developed countries), relative to other supply chain members such as suppliers, farmers and sub-contractors (located in developing countries), could increase the pressure of labour exploitation (Barrientos *et al.*, 2013).

Yet, even if brand-oriented companies seek to avoid forced labour in their supply chain, detection remains very challenging. Illegality prompts active, hidden, deliberate abuses with perpetrators (i.e. suppliers) potentially willing to do anything to protect their profitable businesses, e.g. paying bribes, committing aggressions and falsifying records (Stevenson and Cole, 2018). Moreover, detection is difficult in remote areas such as on fishing boats in international waters (International Labour Organization ILO, Walk Free Foundation and International Organization for Migration, 2022). Finally, language or cultural differences, and psychological stresses of forced labour can impede detection, as victims sometimes are psychologically or socially bonded to their tormentors, are fearful of retaliation or are unaware of the gravity of their situations (Hidron and Koepke, 2014).

In summary, forced labour arises in supply chains due to both the “supply” of vulnerable workers generated by economic factors like poverty, as well as the business “demand” for low-cost labour, which easily can be exploited in the presence of very limited state-based labour inspection and enforcement (LeBaron, 2014). The complexities of international multi-tiered supply chains exacerbate these difficulties (Schleper *et al.*, 2022), with many firms and suppliers spread across multiple countries with a plurality of cultures and legal systems which unfortunately, generate many forms of forced labour that are very difficult to detect (Gold *et al.*, 2015).

#### *Relational view to reduce forced labour in supply chains*

In recent years, large multinational companies have attempted – to varying degrees – to reduce forced labour by monitoring and managing suppliers and sub-suppliers (Wilhelm *et al.*, 2016). As such, recent research has focused mainly on the role of buying companies’ practices that reduce the risk of forced labour, such as codes of conduct, onsite supplier audits or third-party certification (Huq *et al.*, 2016). This work is well-aligned with foundational work on buyer-supplier relationships, which has developed over many years (e.g. Vanpoucke *et al.*, 2014).

Yet, Reinecke and Donaghey (2021) argued that tactical practices such as monitoring, tied narrowly to specific performance outcomes, fall short of the broadscale change necessary to make substantive, rather than incremental progress. Another theoretical perspective, the Relational View, expands the scope of possibilities and offers important additional nuance by considering how relationships, based on characteristics of buyer-supplier interactions, shape a competitive advantage or evolve into accepted industry practice. More specifically the Relational View argues that “idiosyncratic inter-firm linkages may be a source of relational rents and competitive advantage” (Dyer and Singh, 1998, p. 661). If so, the greater value created might enable a larger (and potentially fairer) distribution of profit across the supply chain.

While literature on buyer-supplier relationships looks into how characteristics (e.g. Jap and Anderson, 2007), typologies (e.g. Tangpong *et al.*, 2015) and pathways (e.g. Vanpoucke *et al.*, 2014) that favour integration increase relational satisfaction and operational performance, the Relational View posits four specific sources of inter-organizational competitive advantage: (1) relation-specific assets; (2) knowledge-sharing routines; (3) complementary resources and capabilities; and (4) effective governance (Dyer and Singh, 1998). In this study, we focus primarily on two important sources in the context of a social enterprise, namely knowledge-sharing routines and effective governance. Reducing forced labour in the supply chain is about managing and controlling the extended supply chain – mainly distant, raw material, lower-tier suppliers – which might be possible through knowledge-sharing routines and effective governance in the extended supply chain. Moreover, after demonstrating competitive effectiveness, social enterprises might encourage industry-wide adoption of knowledge-sharing routines and effective governance, establish industry norms or influence regulation. Other relational rent-seeking sources of competitive advantage, such as relation-specific assets or complementary resources and capabilities, are expected to be less effective, as these are rather complicated to manage in extended supply chains and less easily scaled across suppliers or expanded to an industry-level (Nevertheless, relation-specific assets and complementary capabilities might be important in other sustainable practices, such as creating circular products.)

First, through knowledge-sharing and collaboration, supply chain partners learn from each other. Von Hippel (1988), for example, illustrated that the majority of innovations could be traced back to a customer's idea or a supplier's innovation. In our research context, knowledge-sharing routines also might be crucial for better understanding and then taking well-informed, pragmatic action to reduce forced labour. A social-welfare logic is more likely to favour reciprocal sharing, including both traditional factors such as information, components, and financial support, as well as intangible factors such as compassion, education and care (Tate and Bals, 2016; Pullman *et al.*, 2018), particularly if the supplier's dependency on the buyer is high. Just as important, regular patterns of interactions with suppliers might encourage the transfer, recombination and creation of new information and routines that reduce the risk of forced labour.

Second, the Relational View posits that effective governance mechanisms reduce transaction costs while enhancing efficiency (Dyer and Singh, 1998). Governance mechanisms can be identified as either third-party enforcing agreements, such as legal contracts, and self-enforcing agreements, where no third-party intervenes to identify or remedy violations. Third-party enforcing agreements build upon transaction cost theory, as disputes require a third-party to enforce (e.g. regulators). For self-enforcing agreements, both formal and informal safeguards are possible, such as financial guarantees and reputation, respectively. These safeguards help to discourage partners from acting opportunistically, and overall, literature agrees that informal safeguards are more effective and less costly (Dyer and Singh, 1998).

Yet, social enterprises are likely to operationalize these routines and mechanisms somewhat differently than traditional profit-oriented companies, given their differing underlying institutional logics. For example, by extending the Relational View for the social enterprise to now include altruism, and legitimacy- and referent-power (Zhao *et al.*, 2008), we might expect a notable increase in the value of trust in relationship management. These different knowledge-sharing routines and effective governance mechanisms might create a temporary competitive advantage for the social enterprise. However, the goal of a social enterprise is not necessarily to create a competitive advantage based on these sustainable practices, but rather to "improve the industry from within".

In light of these theoretical streams, our initial research questions can be partly combined and rephrased: How do social enterprises that combine social-welfare and economic logics reduce the use of forced labour in their supply chains, as compared to commercial companies

with a strong economic logic? Based on the Relational View, we expect social enterprises to manage supply chain relationships differently due to distinctive knowledge-sharing routines and governance mechanisms, as inspired by the social-welfare logic.

## Method

To assess how institutional logics link with two sources of competitive advantage drawn from the Relational View (i.e. knowledge-sharing routines and effective governance), we used a comparative case study approach to explore the reduction of forced labour in a global network of suppliers (Barlett and Vavrus, 2017). Case studies are widely used in interdisciplinary areas like this study with its intersection of supply chain management, labour conditions and corporate social responsibility (Okamura, 2019). To more clearly delineate novelty, complexity and innovativeness, we benchmarked the practices of our social enterprise with an illustrative, very successful, for-profit firm that was viewed as having implemented progressive practices to reduce the risk of forced labour (Krehl and Weck, 2020). Our study attends simultaneously to macro-, meso- and micro-dimensions of case-based research by engaging in two rationales of comparison: (1) a common “compare and contrast” rationale and (2) a “tracing” rationale across units.

We surveyed existing data to identify an industry that would give us insights into forced labour in global supply chains, and selected the smartphone industry for three main reasons: (1) supply chains are global in nature, often reaching into conflict regions and emerging economies (Fitzpatrick *et al.*, 2015); (2) forced labour is an important risk, receiving attention in the sector and being well documented in media and company reports (e.g. Gross, 2023); and (3) both social enterprise and commercial companies are present in the industry (World Economic Forum, 2022), enacting different institutional logics.

Smartphone supply chains are complex: They begin for some components in African or South American mines, and end in retail outlets in both developed and developing markets, often routed for assembly through Asian factories for assembly (see Appendix 1). The studied social enterprise was actively improving its social and environmental impact, had B-corporation certification, and was recognized and certified for performance on social and environmental issues in sourcing (i.e. EcoVadis platinum medal and Fairtrade gold certification). Similarly, a reputable, publicly traded firm (albeit much larger) in the same industry had received a prestigious award for combating forced labour from their supply chain. This comparison enabled a more nuanced assessment of how a social enterprise reduced forced labour, as well as to analysing differences among best relational practices.

With so little prior research about the supply chain dynamics of forced labour in social enterprises, we adopted a largely inductive analytical approach consistent with the Relational View. First, general information was compiled on forced labour in the smartphone industry, including the structure and working conditions in the industry. Second, primary data was gathered through semi-structured interviews with key informants, including CSR managers at each of the focal companies, as well as social auditors, forced labour specialists, forced labour rescuers and CEOs of audit companies. This data was combined with secondary publicly available sources, such as reports issued by the focal companies, their suppliers and third parties (e.g. newspapers, articles, blogs and reports), as well as information on widely adopted practices within the electronics industry.

Based on this triangulated data (see Table 2), we sought to understand and compare how forced labour was manifested in these supply chains. In total, our primary data collection involved 18 in-person interviews (see Table 2 and Appendix 2 for an example interview protocol), and secondary data encompassed 48 press releases, 42 company reports and 24 industry- and third-party reports. Comparing case studies with data from multiple actors

Type of data	Number of documents/interviews	Description	Source of data	Use in research
Interviews	18	Of which:		Collecting in-depth information on practices and sentiment on these forced labour issues. Listening to multiple perspectives and
	6	Interviews at the focal firms	Impact innovation team director SE (60 min) Impact innovation team member SE (70 min) Impact advisor consultant SE (80 min) Supplier SE (55 min) CSR manager CF (70 min) Sustainability manager CF (60 min)	
	7	Interviews at NGOs (including audit companies)	Vice president responsible mineral initiative (40 min) Head policy influencing (60 min) CEO NGO (85 min) Vice president NGO (60 min) Transformation advisor (50 min) Founder NGO (60 min) Impact advisor (50 min) Legal expert (70 min) Federal agent involved in bounded labour (60 min) Anti-slave commissioner (50 min) Forced labour rescuer (60 min) Human rights consultant (60 min)	
	5	Interviews at International NGOs		
Observation notes	38	Written in-depth descriptions from interviews, seminars and documentaries		These observation notes helped the researchers to identify inaccuracies in descriptions by key informants

**Table 2.**  
Data sources and their use in the research project

*(continued)*

Type of data	Number of documents/interviews	Description	Source of data	Use in research
Press releases	16	Official statements from news media (websites, blogs, newspapers)	Publicly available data, media press datasets	The press releases helped the researchers to understand the timeline and to understand what these companies communicate and how customers react
Company reports	42	Annual/quarterly reports, financial reports, mission and value statements	Publicly available data (23 of SE; 19 of CF)	Company provide in-depth information on what the companies did and how it is reflected in their performance. The social enterprise provides lots of information as they also see themselves as a distributor of knowledge
Industry reports and third party reports	24	Reports on insides from the industry, consultancy reports, NGO reports on forced labour	Informants, publicly available data	These reports help to the researchers to understand the broader picture of forced labour and to keep a critical eye on what is happening in the industry and what these companies are doing

**Source(s):** Authors own creation

Table 2.

enabled an assessment of management approaches and outcomes, and just as important, tracing influences of relationships between NGOs and focal companies.

This primary and secondary data was analysed using three levels of coding (Crane *et al.*, 2019; Wilhelm *et al.*, 2016): (1) initial codes, i.e. abstract concepts and themes that emerged from the interviews were linked with the concepts and themes emerging from the secondary data; (2) categorical codes, i.e. initial codes refined and examined using NVivo12 to determine the specific manifestations of institutional logic and Relational View; and (3) thematic codes, i.e. identified themes from the refined data and comparing these themes with the literature to develop insights. Appendix 3 lists example quotes of the different codes related to institutional logics, knowledge-sharing routines and governance mechanisms. Furthermore, quotes describing practices from reports were captured to support comparisons.

Efforts also were undertaken to substantiate validity and reliability in our comparative case study (Yin, 2017). Construct validity was established by starting from definitions in the literature and using categorial and thematic codes to establish the constructs under study. Internal validity was obtained by systematically looking into links based on multiple sources of information using two coders. The procedures and interview protocols also support reliability. Finally, although this research was limited to two cases, external validity for this industry can be argued based on the inter-connected nature of many smartphone supply

chains. Moreover, this study offers a potential exemplar case for other industries with similar concerns of forced labour.

In the sections that follow, we describe how forced labour arises within our case industry, and then present brief descriptions of the supply chains of the two cases. Finally, we systematically compare the cases, highlighting similarities and differences, as well as tracing interactions between actors to reduce the risk of forced labour.

## Case descriptions

### *Smartphone supply chains*

In general, a smartphone supply chain has two general tiers located in low-cost countries that have particularly high risks of forced labour: mining and extraction and assembly.

*Supplier mining.* The manufacturing of technological devices requires the use of 3TG minerals (i.e. tantalum, tin, tungsten and gold), also known as “conflict minerals”; cobalt also is approaching this status. Conflict minerals are primarily sourced from the Democratic Republic of Congo (DRC) and its neighbouring countries, where extraction is connected to armed conflict and human rights abuses such as forced labour (TCO Certified, 2021). Conflict minerals must be traced to their sources of extraction to ascertain the conditions under which they are mined.

Many small-scale mines (TCO Certified, 2021) are illegal and situated in remote areas, exacerbating the risk of forced labour (Hofmann *et al.*, 2018). Members of poor communities who work in these mines are vulnerable to human rights abuses, and the suppliers provide very little transparency. Forced labour takes various forms here; men often are victims of debt bondage because they accumulate debt even before starting to work, and they may be prevented from leaving the mining camps through isolation, physical confinement and/or social control (IOM, 2018). Women often are deceived about wages and the nature of the job. They might be offered posts as waiters or cooks, but once they reach their destinations, their identity documents are confiscated and they are forced to stay and endure exploitative working conditions, including sexual exploitation (IOM, 2018).

*Supplier assembly.* Most mobile phones are manufactured in China and East Asian countries (KnowTheChain, 2018) using labour-intensive processes, often with small profit margins. Workers often are subjected to restrictions on freedom to associate, organize and complain about their working conditions (Bowman, 2018). Moreover, workers often must move away from their families to work in the factories and struggle to earn a living wage.

### *Case 1: smartphone social enterprise (SE)*

The core value proposition of this social enterprise (denoted as SE) was to be the first “fair” electronics manufacturer regarding both the environment and society. Since its market entry, SE increasingly had gained a reputation for a fair solution to modern phone devices over four generations of devices. Recently, SE received the EcoVadis platinum sustainability rating, indicating that the organization was among the top 1% for sustainability performance, among thousands of companies.

This exemplary sustainable performance resulted from a 10-year journey. In 2011, SE launched a campaign to raise awareness about conflict minerals, and this campaign prompted the firm’s entry into the phone market to show how a sustainable business might tangibly demonstrate its care for society and the environment. Over the years, SE received multiple international awards, both for its overall sustainability and for specific initiatives, such as their work in small Ugandan mines. However, this outstanding level of performance came with some sacrifice: Products offered at the same price as competitors tended to be less

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technologically advanced. Thus, SE's value proposition emphasized its sustainable business model, thereby targeting sustainability-oriented customers.

*Supplier mining.* SE's first step as a phone manufacturer aligned with its earlier campaigns to improve working conditions in its conflict mineral supply chain. Accordingly, senior management sought collaborative suppliers through a step-by-step approach, addressing each material and prioritizing among them based on a material scoping study. This initiative helped to prioritize action based on criteria including the importance of the material to the industry (function and volume), environmental and social impacts, and potential for material substitution. This initiative also was coupled with regular assessments of the constraints and opportunities for each material. On this basis, SE acted on key materials in the supply chains.

According to SE's Code of Conduct (CoC), all suppliers were required to source minerals from smelters and refiners that were recognized as conflict-free by international third parties. SE also required suppliers to conduct due diligence, and identified their sub-suppliers and their locations (i.e. tier 2 and greater). SE specifically prescribed that each supplier's due diligence should be consistent with the guidelines of the Organization for Economic Development (OECD) to track the origin of conflict minerals for any company potentially sourcing minerals or metals from conflict-affected and high-risk areas. Initially, SE sourced conflict-free tin and tungsten from the DRC with the collaboration of the Conflict-Free Tin Initiative (CFTI); tin from South Kivu in the DRC, and the Solutions for Hope project; and tantalum from Katanga through a closed-loop supply chain. These efforts expanded with future generations of phones.

Subsequently, SE joined a fairtrade gold supply chain that extracted gold from Peruvian mines, which was later mixed and mass-balanced with gold from other sources. (The complexity of gold supply chains makes segregating fairtrade gold from non-fairtrade gold very difficult and expensive. Thus, mixing certified and non-certified materials in known, traceable quantities during transit and production reduces transaction costs and achieves the same social objective.) SE went further, and co-signed a covenant to improve working conditions, decrease the use of child labour, and improve the traceability of gold extracted by small-scale mines in Uganda over a five-year period. This initiative was awarded the Responsible Business Partnership Award.

SE also introduced conflict-free tungsten into its supply chain, based on a two-year partnership with an Austrian smelter and a Rwandese small mine. The tungsten is segregated, with barcodes attached to specific bags of minerals. Having found a conflict-free source for this fourth conflict mineral, the company reached an important milestone. More recently, SE pushed further by introducing additional materials that were responsibly sourced and conflict-free: the phone used aluminium machined from ASI certified vendors, along with a 100% recycled plastic rear cover. Finally, SE has continued to work at integrating fairer cobalt and lithium into its batteries.

*Supplier assembly.* In parallel to implementing better social practices for mining, SE developed a multi-party partnership with an NGO and a final assembler, who combined strong technical skills, quality standards and an interest in improving working conditions. They approached factory employees with a survey and additional assessments to identify key concerns about working conditions; focus groups with employees and managers delved deeper into root causes. The findings supported a targeted three-year action plan developed based on a joint investment, including further training of employees, expanded communication, and improvements in health, safety and living conditions. By mid-2019, more than 375 training sessions had been organized with NGOs; employee representatives had been elected and trained; and steps were being taken to improve security in dormitories and food quality in the canteen. Furthermore, SE paid direct bonuses to the employees of the assembler to allow them to earn a living wage. A bonus payment per phone (paid directly to the workers) was established in consultation with the factory workers and increased for

subsequent models. Because the threat to withdraw overtime hours was a frequent source of coercion in assembly plants, this wage supplement enabled workers to earn a decent wage without having to work overtime, thereby reducing employers' power.

#### *Case 2: smartphone commercial firm (CF)*

This Commercial Firm (CF) is a technology giant, selling millions of phones and computers every year. Its brand image, based on innovation, design and lifestyle, was very strong and continued to grow. CF's policies and supplier requirements to reduce forced labour positioned the firm among the industry leaders (e.g. [KnowTheChain \(2018\)](#), monitors the efforts of 40 tech companies and ranked CF in the top five). At the same time, CF's high public profile attracted much attention, generating criticism for not pursuing sustainability more aggressively accusations of inadequate protections for human rights.

*Supplier mining.* CF collaborated with third-party organizations to reduce forced labour broadly in the mineral industry. The company helped the Responsible Minerals Initiative set up the "Mineral Grievance Platform", an online cross-industry platform designed to screen and address grievances linked to mineral supply chains. CF also partnered with the Fund for Global Human Rights, which operated in the DRC, and provided funding to the international NGO Pact, which organized human rights training for Artisanal and Small-scale Mining (ASM) communities.

Although CF won an award for reducing forced labour, criticism continued about its sourcing of minerals. For example, according to a documentary, ores from both legal and illegal tin mines were mixed when sent to smelters and refiners, and in mines visited, adults and children were working in poor conditions. Although no explicit signs of forced labour were observed, there were indications that CF's CoC and standards were not being applied. Fourteen parents and children from the DRC sued CF and other giant tech firms, accusing them of "aiding and abetting in the death and serious injury of children who were working in cobalt mines in their supply chain". These criticisms were not isolated, and collectively, pointed to a high risk of forced labour in this supply chain.

*Supplier assembly.* While CF did not have specific policies to prevent the use of forced labour in supplier factories, several general policies were relevant. The company forbade any harassment or abuse, including threats or inhumane treatments; working hours, overtime, and quotas had to be limited; and wages must at least meet the legal minimum. Associations and collective bargaining were to be freely allowed, and employees were to have access to effective grievance systems.

However, controversy persisted with CF's supplier factories in Asia, particularly regarding its main final assembler, who was frequently at the centre of scandals. The gap between CF's stated practices and that of its main final assembler illustrates the difficulty in managing practices in its suppliers. Media reports depicted deplorable working conditions and revealed that CF was not fully implementing its CoC and standards: Workers had their identity documents temporarily confiscated, underwent psychological pressure if they wanted to resign, and were forced to reach production quotas and work overtime. Another NGO report noted similar observations in 2019.

To summarize the comparison between the two organizations, [Table 3](#) provides a timeline of the development of key practices in different tiers of the supply chain to reduce forced labour. [Table 4](#) provides further details of related management practices, including supplier policies, detection, remediation and collaboration.

#### **Case interpretation and theoretical implications**

To explore key differences evident in the two cases, we return to [Tables 3 and 4](#), which can be interpreted in light of the Relational View, with particular attention to knowledge-sharing routines and governance mechanisms.

Social enterprise (SE)	Commercial company (CF)
Focal organization's management practices <ul style="list-style-type: none"> <li>- brief supplier Code of Conduct known as "Ways of Working Together" (2013)</li> <li>- blog articles explaining practices and policies (2013)</li> <li>- list of suppliers from smelters to refiners (2013)</li> <li>- projects in the raw material supply chain to continuously improve supply chain practices (2013)</li> </ul>	short Code of Conduct and detailed "Supplier responsibility standards" (2005) <ul style="list-style-type: none"> <li>- "Statements on efforts to combat human trafficking and slavery in our business and supply chain" and "supplier responsibility progress report" based on regulations (2017)</li> <li>- suppliers are required to do audits and to work towards progress</li> <li>- each supplier should have a person responsible for health, security and environment</li> </ul>
Supplier mines <ul style="list-style-type: none"> <li>- Dragonfly initiative: step-by-step approach based on prioritizing projects on minerals based on volumes and functions in the supply chain. (2013)</li> <li>- requiring suppliers to do conflict-free sourcing (2017)</li> <li>- requiring suppliers to do due-diligence based on OECD framework and to provide full transparency (2013)</li> <li>- collaborative initiative with a gold mine to improve working conditions (2019)</li> </ul>	involved in industry-wide initiatives such as a "Mineral grievance platform", "Fund for Global Human Rights", international NGO pact (2019)
Supplier factories <ul style="list-style-type: none"> <li>- multi-party partnerships to improve working conditions (2013)</li> <li>- safety training for employees and increase safety in dormitories (2013)</li> <li>- employee satisfaction survey and focus groups with employees (2018)</li> <li>- investment plan and a bonus for succeeding in this plan (2019)</li> <li>- bonus to reach minimum wages (2019)</li> </ul>	set up educational programs (2008) <ul style="list-style-type: none"> <li>- reduce illegal working hours (2011)</li> <li>- access to grievance systems (2019)</li> </ul>

**Note(s):** The initial dates for each practice are noted in () based on coding of policies, detection, remediation and collaboration practices

**Source(s):** Created by authors based on interviews and sources [Table 2](#)

**Table 3.**  
Progression of  
organizational actions  
to reduce forced labour  
at key tiers in the  
supply chain

### *Knowledge-sharing routines*

To begin, SE's mission was "to change the world by putting people first. We care about human rights and worker well-being". This statement stresses a strong social-welfare logic and has clear directive to place human rights as a key priority in the extended supply chain. Both companies mapped their supply chains and disclosed their suppliers, and both conducted announced and unannounced third-party audits. In addition, both required suppliers to implement employee grievance systems that allowed employees to speak freely, without fear of retaliation. This practice may be particularly useful in remote areas where conducting audits is difficult.

For mineral traceability and due diligence, both companies followed the five-step OECD framework (OECD, 2016). CF discussed this issue extensively in its conflict mineral report as it was aware of the need to enhance traceability in its upstream supply chain. The firm also helped to finance and participated in third-party projects to improve the situation in the Great Lakes region of Central Africa. Suppliers were required to notify the company immediately if human rights violations or new conflict-related risks were detected. While CF provided a list

		Social enterprise (SE)	Commercial firm (CF)
1. Supplier policies			
Identity documents		Any form of identification or travel documents shall not be confiscated or retained, preventing their free movement	Workers shall retain possession or control of all identity documents. Suppliers may obtain and retain copies of Workers' original identity documents
Penalties		No employee shall be subjected to physical, verbal, or other acts as a disciplinary measure (e.g. deduction from wages as a disciplinary measure)	Supplier shall not use monetary fines or penalties as a means to maintain labour discipline
Overtime		Overtime shall be voluntary, legally allowed and shall not be used as a consistent practice	All overtime shall be voluntary. Supplier shall ensure that all workers have the right to refuse to work Overtime Hours without encountering punitive measures
Threats		All employees shall be treated with dignity and respect; any form of harassment, abuse, threats, exploitation, sexually coercive behaviour, or inhumane treatment are prohibited	Suppliers shall have a system to discipline supervisors, managers, or workers who engage in any physical abuse, sexual harassment or sexual abuse, psychological harassment, or -verbal harassment or verbal abuse, through measures such as compulsory counselling, warnings, demotions, and terminations or any combination thereof
Deposits		No deposit shall be withheld from the employee before or during the period of employment	Deposits from Workers are prohibited unless required by Applicable Laws and Regulations
Recruitment fees		The partner shall ensure that no employment fees or costs are directly or indirectly borne by employees	Workers shall not be required to pay employers' or their agents' fees for their recruiting and/or ongoing employment
Contract		Employees shall be provided with a written employment contract immediately upon hiring, in a language that they understand	The supplier shall ensure that all workers receive and understand a copy of this contract, signed by the supplier, at the time of the worker's signature
Debt		No debt should be placed on the employee before or during the period of employment	Personal loans to Workers or job seekers under circumstances where repayment terms could be construed as debt bondage or forced labour are prohibited
Non-compliance		Non-compliance shall be addressed through the adoption of a remediation plan with clear follow-up actions and timelines	Supplier shall implement a process for timely correction of noncompliance and non-conformance identified by internal and external audits and assessments, grievance reports, employee and stakeholder feedback, incident investigations and other means
Key difference		Descriptions on what suppliers cannot do, but no procedures or guidelines on how to do it	Descriptions on what suppliers cannot do, with very detailed procedures and guidelines of what to do in case of non-compliance
2. Detection			
Supply chain map		Since 2013, SE lists the suppliers. Based on a combination of desk research and direct communication with suppliers, SEs now mapped 103 suppliers. SE updates this information regularly	Since 2012, the Supplier List details the top 200 suppliers based on spend, and outlines the supplier facilities which provide services to CF. It is updated every year

**Table 4.**  
Examples of supplier management practices related to forced labour

*(continued)*

	Social enterprise (SE)	Commercial firm (CF)
Minerals supply chain	238 of the 288 smelters and refiners are verified to be in compliance with the standards of the Responsible Minerals Initiative (RMI)	CF conducts robust due diligence on the source and chain of custody of minerals in its global supply chain, but does not directly purchase or procure raw minerals from mine sites
Audits and assessments	In the context of partnerships with factories, unannounced follow-up assessments are carried out	In 2019, a total of 1,142 assessments were conducted in our supply chain among which 70 unannounced assessments
Grievance systems	Partner shall set up and maintain an anonymous, free, unrestricted, unbiased, non-retaliatory and safe channel to report complaints about the workplace and shall have procedures in place for investigating, following up and communicating the outcome of such complaints	Through the Responsible Minerals Initiative (RMI) platform, industry organizations, non-governmental organizations (NGOs), and third-party audit programs collectively screen and conduct due diligence on filed grievances
Key difference	Focused on forced labour in the extended supply chain and the surrounding communities	Focused on forced labour in the broader community, and assessed a large percentage of first-tier suppliers (but limited attention to their extended supply chain)
3. Remediation		
Reaction to forced labour	If the ideal conditions aren't met at the start of the business relationship, SE worked together with supply chain partners to identify the root cause of the issues and develop a plan for sustainable improvement	When a core violation is identified, CF issued a notice of probation directly to the president or CEO of the supplier, and the supplier is commercially penalized. Our Code requires that core violations be addressed immediately, and when appropriate, we also report these violations to local authorities
Action plan	To fulfil our goal of making a lasting impact on working conditions and worker satisfaction, SE worked closely with selected suppliers to assess their current situation and make a collaborative plan for improvement	The supplier is provided with feedback, identification of issues and their root causes, and required corrective actions. The supplier then enters a 90-day corrective action period where they are required to resolve the issues and improve their management systems to ensure that the violations do not reoccur
Progress monitoring	If progress is made and employee satisfaction is increased by the end of the year, SE will reward the supplier by paying a higher product price	After the supplier has made the necessary improvements, CF verified the completion of each item in the CAP before finalizing and closing the assessment
Failure to meet requirements	If joint efforts to remediate such violations fail, the partner will replace the refiners	In the event that a supplier is unwilling or unable to improve operations to meet the requirements, they risk removal from the supply chain
Key difference	<ul style="list-style-type: none"> <li>- Remediation followed a development process, taking into account the efforts of suppliers</li> <li>- Consultation with suppliers and their employees if policies are violated</li> <li>- Invest in and reward efforts with specific suppliers to improve the situation</li> </ul>	<ul style="list-style-type: none"> <li>- Strict policies in terms of timing, punishment, termination and fines in case of remediation</li> <li>- Request suppliers to take action</li> <li>- Penalize suppliers if policies are violated</li> </ul>

(continued)

Table 4.

	Social enterprise (SE)	Commercial firm (CF)
4. Collaborative practices		
Relationship with suppliers	To begin creating positive change, SE established collaborative, mutually beneficial and transparent relationships with manufacturers who are willing to invest in employee wellbeing	CF maintained a robust governance structure and internal management system to enforce compliance with policies to prevent human trafficking and the use of involuntary labour
Relationship with external actors	SE partnered with the Conflict-Free Tin initiative to trace tin directly to its source and support fairer, formal mining practices. In October 2012, the first bags of conflict-free tin left the mine in South Kivu, DRC	In 2019, CF continued to provide funding to Pact Institute, an international development NGO working with small scale mine communities in DRC
Training	In the period between [two] audits, the audit company visited the factory three times to provide training and support	All employees and interns are required to complete mandatory, annual business conduct training that includes education on key points in our Anti-Human Trafficking Policy
Key difference	Collaboration initiatives to reduce forced labour focused on leveraging NGO expertise, and deepening relationships with specific supply chain partners	Collaboration initiatives to reduce forced labour involved NGOs and providing funds to external organizations, but less direct collaboration with supply chain partners

**Note(s):** Classification based on coding of policies, detection, remediation and collaboration practices  
**Source(s):** Created by authors based on [Table 2](#) and interviews

of its smelters and refiners who reported 100% participation in audits, the resulting publicly available reports did not include concrete, company-specific solutions to the problems of visibility and traceability in its upstream supply chain.

SE took further steps to improve traceability, which were then communicated more transparently. The organization published a list of its smelters and refiners, with success auditing 238 of its 288 smelters and refiners. A map traced the path of conflict minerals from mines to final consumers. Specific traceability systems were in place for the conflict minerals of gold, tin and tantalum that were sourced through closed-loop supply chains (and then mass-balanced). As described SE demonstrated efforts to work closely with partners to improve transparency in the mining sector, and to create better working conditions and production premiums for workers.

Overall, the knowledge-sharing with the upstream supply chains was the most significant difference between both companies. While CF was very transparent in terms of procedures and rules, the company provided less visibility on specific suppliers and actions in its supply chain. In contrast, as mentioned by CSR manager of SE: “We are transparent by reporting our progress, as well as challenges, in blogs, for example on the impact of sourcing of Fair-Tungsten in Rwanda”. For example, SE described the audit and collaborative process with three suppliers. In-depth assessments combined “third-party assessments, audits, employee surveys, and dialogue sessions to gain insights into working conditions and worker satisfaction, as well as factory health and safety.” These differences in transparency of progress and outcomes could be explained by an expanded consideration of “stakeholder reporting”. While an economic logic prompts transparency about financial outcomes to serve investors (as the key stakeholder), a social-welfare logic encourages richer transparency that serves multiple key stakeholders, which provides richer information that extends beyond policies and rules.

Accordingly, we propose:

*P1.* As a company increasingly shifts toward a social-welfare logic from an economic logic, the greater the transparency about progress and outcomes for individual suppliers, beyond basic transparency about general policies, rules and aggregate outcomes for the company's forced labour program.

If problems were detected, both organizations required follow-up action plans to correct deficiencies, but the two differed in how these plans were managed. In general, CF provided more precise—and somewhat more rigid—requirements for action plans. For example, CF's action plans for core violation remediation often included on-site and remote coaching, training and toolkit implementation. At the very least, all action plans included assessments of root causes of any non-compliance; specified corrective and preventive actions; and assigned due dates, responsibility and means of verification for all action-items. Moreover, resolution and closure were expected within 90 days.

In contrast, SE described a broader methodology and highlighted the importance of reciprocal understanding and collaboration with its suppliers to set achievable targets. SE then worked more deeply with individual suppliers to understand their competitive situation, operating practices and situations of the individual workers, with the objective to identify realistic achievements for each. To do so, SE conducted research to assess the working conditions as well as living standards for the workers in their local environment, which subsequently influenced worker-driven action plans. For example, SE assessed what the liveable minimum-wage should be to guarantee the payment of a decent living wage for employees in the lower-tier supply chain. Suppliers also were expected to share feedback on the enforceability, practicality and usefulness of SE's standards. The resulting action plans needed specificity, with short-term follow-up actions and timelines; if timely remediation was not possible, suppliers were required to determine root causes. Here too, suppliers were required to provide proof of conformity.

CF assessed results based on a subsequent final audit, and completion generally brought action to a close. If suppliers did not demonstrate the necessary progress or willingness to take corrective action, they risked being dropped. CF noted that 22 manufacturing facilities and 123 smelters and refiners had been removed from its supply chain due to poor progress. This threat of removal might partly explain the 100% audit participation rate reported for smelters and refiners since 2015. Compared, SE adopted a more developmental attitude towards suppliers, based on a worker-driven assessment and monitored progress while implementation was underway, either by an auditor and SE's staff directly communicating with suppliers, or on-site visits. For example, as mentioned by the Impact Manager of SE: "We decided to source from the African Great Lakes Region, while other regions might have been easier. This required a lot of time and patience to make impact, as it started off from a very chaotic situation due to genocides and wars."

In summary, the iterative development stance enabled SE to tailor action plans based on ongoing success, failure and difficulties encountered along the way. This worker-centric approach is part of the institutional logic of SE, who is stating that they are "giving a voice to people who care". Accordingly, we propose:

*P2.* As a company increasingly shifts toward a social-welfare logic from an economic logic, the greater the use of a mutual, iterative development stance in creating distinctive worker-driven action plans and improvement trajectories towards a supplier's forced labour program.

#### *Governance mechanisms*

As a starting point, simply comparing the length and exhaustiveness of the CoC used by each organization was not informative for explaining how and why the two organizations different

requirements were put in place and evolved over time. For example, CF communicated its CoC and standards to its Tier-1 suppliers, who in turn, were required to pass on and enforce this CoC with sub-suppliers. According to the CSR manager of CF, the emphasis was on “working relationships with first-tier suppliers”, and only indirect contacts with lower-tier suppliers were promoted by via Tier-1 suppliers. This indirect connection made management and monitoring of lower-tier suppliers very tedious. In contrast, SE did not explicitly communicate CoCs, but rather “walked the talk” by collaboratively working on compliance through direct contact with most of its suppliers and sub-suppliers beyond Tier-1. This direct contact with lower-tier suppliers enabled the SE to better transmit or “cascade” its social goals and related practices across multiple tiers of suppliers, prompting meaningful progress and improvement. This multi-tier engagement was captured by the Impact Manager of SE: “Our supply chains are long and complex. Getting all suppliers, not just Tier-1 suppliers, involved in our mission is the only way to make real change”.

We expect these differing and distinct communication methods – whether directly to or indirectly through suppliers – affected buy-in and compliance, as explained in the descriptions of supplier collaborations on blogs of SE. Communication beyond Tier-1 suppliers can directly signal the perceived seriousness of the problem of forced labour in upstream suppliers. These differences in governing multi-tier suppliers are related to differences in their institutional logics. One manager at SE noted, “We want to change the industry from the inside”, with clear efforts to change the multi-tier supply chain. In contrast, CF was mainly driven to decrease the risk of unacceptable social practices, creating immediate pressure to collect data and demonstrate proof, often with a resource intensive approach, e.g. signatures from all workers of Tier-1 suppliers about their working hours. Thus, we propose:

*P3. As a company increasingly shifts toward a social-welfare logic from an economic logic, the greater the degree to which the company’s forced labour program is directly “cascaded” through directly managing multi-tier suppliers in its extended upstream supply chain.*

The creation of and participation in multi-stakeholder initiatives is an important approach to reduce forced labour; in essence, signalling is clearer and stronger; better approaches can be developed; efficiencies can be gained; and multiple firms can reinforce best practice with at-risk suppliers. Both SE and CF were involved in two general forms of multi-stakeholder initiatives, although at times they overlapped: (1) vertical with suppliers (and customers) and (2) horizontal, involving stakeholders outside the supply chain.

SE was involved in several vertical collaborations related to conflict minerals. At times, SE’s efforts to develop vertical supply chain collaboration extended to include other stakeholders, for example, NGOs that were helping with specific operational aspects, such as health and safety improvements in Ugandan mines. When working together with suppliers, SE mainly relied on such principles as altruism and referent-power, as they valued the suppliers as a full partner in these initiatives. As mentioned by the impact manager of SE: “By using our buying power, we can help turn the mines into drivers of positive local development. This will take significant investments, that we are willing to make, but it is critical that everyone in the industry collaborates to make responsible mining possible.”

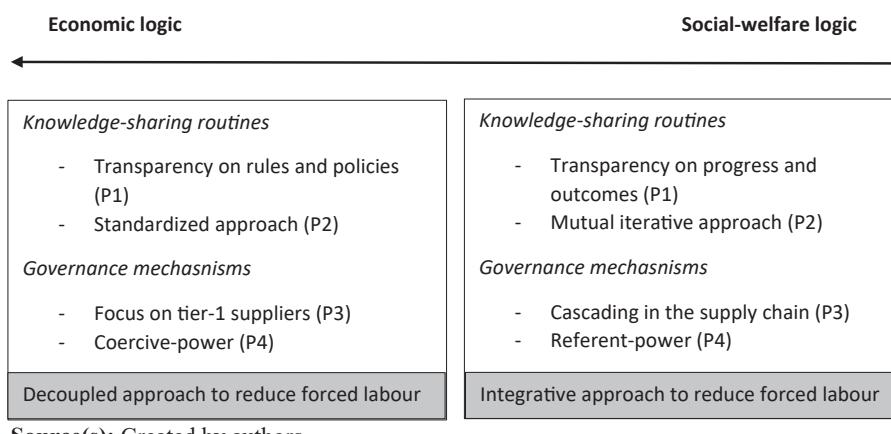
As noted earlier, CF tended to exercise coercive power towards suppliers based on processes for official requests, rules and termination. The only vertical collaboration identified was the financing of the Salmon Gold initiative, which sourced and traced gold from sustainable sources in Canada to a refiner. Although CF appeared to be much less involved in collaborative projects with specific suppliers, the firm participated in various multi-stakeholder and industry-wide initiatives, including projects led by universities and

NGOs that contributed to better understanding of developing workers' voices, of sourcing conflict minerals and of measuring human rights impacts. However, participation appeared to be usually limited to funding, and at times, extended to information sharing. These varying degree of engagement in vertical collaboration could be explained by SE's strong desire to reach employees involved in the production process and its objective to help improve the working conditions of these employees. Moreover, we propose:

*P4.* As a company increasingly shifts towards a social-welfare logic from an economic logic, the greater the use of informal self-enforced governance mechanisms, such as referent power, towards suppliers for the company's forced labour program.

In summary, evidence pointed to knowledge-sharing routines and governance mechanisms that changed as a social-welfare logic increasingly underpinned efforts to reduce forced labour in its supply chain: increasing transparency beyond general rules and policies to multiple stakeholders for forced labour-related progress and outcomes; and mutual, iterative development with supply chain partners, with greater involvement in the extended upstream supply chain and greater use of informal self-enforced governance mechanisms. Interestingly, these changes at an organizational level loosely align with how one might characterize positive social interactions among communities, i.e. more inclusive, open and tolerant.

Overall, our study integrated two key mechanisms of Relational View in a context of social-welfare logic, where competitive advantage has less priority (see [Figure 1](#)). Social enterprises are less concerned about their competitive advantage derived from this form of sustainability, as one aim is to transparently encourage industry-wide adoption of better social practices. By aiming to turn this (temporary) strategic competitive advantage into common practice for the industry, organizations that combine the social-welfare and economic logics aspire to influence a much larger sphere of supply chain activity – more broadly reducing forced labour and improving working conditions across a greater number of extended supply chains. By building on the Relational View, our study also extends the portfolio of relationship management mechanisms that the focal organization can deploy to cope with suppliers ([Longoni et al., 2019](#)). For example, for hybrid organizations coping with multiple institutional logics, these relationship management mechanisms can offer an important means to successfully merge these multiple objectives.



**Figure 1.**  
Framework on linking  
institutional theory  
with relational view

## Discussion

Supply chain management scholars have become increasingly concerned about reducing forced labour and improving working conditions in supply chains (e.g. [Schleper et al., 2022](#)). These supply chains often source materials, services and components from developing countries that have been associated with limited social infrastructure, low wages and poor worker health and safety conditions. The growing literature on social impact supply chain management (e.g. [Pullman et al., 2018](#)) considers how social enterprises manage their supply chain to balance social mission and economic viability, and thus, offers one potential means to reduce the risk of forced labour. In this challenging context, as detailed below, the theoretical underpinnings of the Relational View enable a clearer understanding of the connections and trade-offs that allow social enterprises to evaluate their effectiveness in enacting multiple logics, prevent mission drift, improve efficiency and innovate, all while maintaining the pre-eminence of the social-welfare logic.

### *Integrative vs decoupled approaches to reducing forced labour*

As explained by the Impact Innovation Director, SE's mission is "to establish a market for ethical electronics to motivate the industry to act more responsible". Driven by a social-welfare logic, SE followed a three-step approach consisting of (1) raising customer awareness, (2) setting up scalable innovative solutions and (3) motivating the broader industry to become more sustainable. Rather than mirror business models of competitors, SE demonstrated that a sustainable comprehensive business model is possible, which encompasses two institutional logics: social-welfare (caring about society, human rights and the environment) and economic (being profitable). This integration affected everyday decisions and actions and was supported by related organizational policies, programs and structures ([Weaver et al., 1999](#)). As such, managers were held accountable and valued the importance of integration to guide strategy, decisions and follow-up action.

In contrast, commercial companies primarily follow an economic logic, and often are pushed by customers and regulators (and sometimes, competitors and investors) to reluctantly take action to reduce forced labour practices. Given this reluctance, appeals from stakeholders to improve transparency and create more sustainable solutions prompt sympathetic public statements from the firms, albeit with minimal action because action comes with costs and might entail extensive changes to their supply chain relationships. Yet, companies might take proactive action to avoid the adverse reputational outcomes of scandals and negative attention from customers. Inherently, this positioning is based on forced labour being viewed as a risk. As such, policies created by a company often are decoupled from other supply chain policies and structures, making routine action and prioritization much more challenging. These policies might be decoupled by being marginalized or disconnected from other everyday processes, or due to conflict (real or perceived) with the dominant institutional logic ([Weaver et al., 1999](#)).

For example, commercial companies might work primarily with fewer large smelters as a simpler, less costly means to de-risk their supply chain and reduce transaction costs. But doing so might generate less revenue for many workers in need. Eliminating forced labour translates into "box ticking" for policies and audits. To be fair, these decoupled policies can have some positive effect, but at best, they are appended to the overall supply chain strategy.

### *Linking institutional logics and relational view*

A social-welfare logic promotes a more inclusive approach to management, resulting in greater reliance on collaborating with multiple tiers in the supply chain. Outcomes included a more collective approach to learning beyond first-tier suppliers, which was crucial for

reducing forced labour in multiple tiers of the supply chain. NGOs and communities were ideal partners, as they offered information and support to create long-term commitment and connections among a wide variety of important stakeholders. For example, education can be supported in communities surrounding mines. These horizontal, multi-stakeholder initiatives created numerous “touchpoints” for connecting a company to its higher-tier suppliers. Decentralized solutions also might be particularly critical under more difficult complex circumstances, such as small-scale mines with temporarily labour and little media attention. While SE’s heavy weighting toward a social-welfare logic provided an excellent example, CF’s multistakeholder initiatives also were an initial step in this direction, albeit limited in effect by their decoupled nature.

An institutional social-welfare logic also played an instrumental role in an organization’s willingness to undertake innovative, wide-reaching practices. Specific knowledge-sharing routines, such as transparency, can stimulate processes of acquiring, disseminating, interpreting, using, and storing information between companies, suppliers, NGOs and communities, leading to new insights that can be embedded in revised practices that further reduce the risk of forced labour (Zhu *et al.*, 2018). By trying to better understand the circumstances facing their suppliers, social enterprises were able to build more trusting relationships that jointly work towards common objectives (Vanpoucke *et al.*, 2014). For example, assembly plant workers of SE’s supplier were informed about their rights based on direct discussions with workers and factory managers. Moreover, deeper relationships and transparency helped to determine the content of training courses, thereby ensuring enhanced effectiveness and adaptation to employee needs.

Counterintuitively, significant benefits emerged from a *less formal* approach to developing and implementing corrective action plans, which can confer a competitive advantage (Dyer and Singh, 1998). Possibly, the lower degree of formality might signal SE’s greater responsiveness and willingness to adapt to the situation and plans of individual suppliers, if supplier commitment and progress were continuing. This flexibility was consistent with specific “cut-off” metrics often not being the norm for social enterprises (Pullman *et al.*, 2018). In contrast, commercial enterprises moved more quickly to terminate relationships with offending suppliers, consistent with pressure for strong decisive action from investors, NGOs and customers. Unfortunately, less scrupulous commercial firms can take over the supplies left behind, yielding little (if any) net improvement (Gold *et al.*, 2015). Thus, continuing relationships with questionable suppliers, or suspending business temporarily, can offer tangible leverage to affect lasting improvement.

Finally, the Relational View speaks to the need to emphasize governance between organizations, while simultaneously considering the forms and degree of power. For SE, referent power played an important role, whereas coercive power was key for CF. The former becomes particularly important as companies increasingly emphasize influence and collaboration, rather than command-and-control. But doing so can expand the need for managers to expand their role as moral actors as they enact multiple institutional pressures – not a straightforward role!

### *Practical implications*

Social enterprises with their dominant social-welfare logic can be seen as learning laboratories for commercial firms to better understand how systemic change might be initiated and advanced over time. The objective is not only to reduce the risk of forced labour but also to explore opportunities to address underlying factors that created conditions for forced labour. Conceivably, social enterprises can develop, trial and refine new knowledge-sharing and governance practices, better understand the complex challenges facing first and lower-tier suppliers, and expand customer education. With the demonstration of successful

outcomes, multiple stakeholders will prompt commercial companies to follow their lead. For example, after demonstrating the viability of a supply chain for fairtrade gold, the mines, transporters, smelters, refiners and gold salt manufacturers involved could readily expand to serve additional customers beyond social enterprises.

Thus, we see one means by which ratcheting social standards might be both enacted and addressed (Martin, 2002). Social enterprises can both be a catalyst and advocate, extending their influence into firms that predominantly favour a commercial logic. In doing so, they indirectly stimulate revisions to the dominant commercial logic for reducing forced labour. Just as important, each company need not address these ratcheting standards on its own; instead, the social-welfare logic and ensuring innovation of SEs can be leveraged. Thus, more companies with few resources and limited expertise can be pressured to be “fast followers” rather than outright leaders, contributing to an industry-wide reduction in the use of forced labour in supply chains.

### **Limitations and further research**

Although our study offers important insights, limitations suggest that further study is warranted. First, much of our data is from documents publicly disclosed by the companies. Because forced labour is a very sensitive issue, this information is likely to be incomplete, as companies seek to portray themselves in a flattering light. To address this issue, external sources of information were used to cross-check corporate statements and interviews with multiple actors. Second, our study was limited to data from two companies in a single industry. To broaden the insights, a larger number of companies and industries could identify a greater diversity of information-sharing and governance practices.

Third, looking beyond institutional logic, organizational size and the degree of vertical integration also might influence the degree of formality for supplier governance mechanisms. As noted earlier, SE tended to use less formal governance mechanisms, drawing on referent power, to reduce forced labour, while CF tended to prefer more formal mechanisms. Yet, other evidence argued against the potential influence of size. For example, other management practices, such as innovation, at CF were rather informal, as observed by the advanced manufacturing engineering manager, “We have the resources to go as far as we want to go with ideas. And no idea is too crazy.” SE also employed expert power at times, consistent with more formal mechanisms. For example, SE has been among the most active in pushing for policies and standards to raise the bar on minerals procurement, supporting conflict mineral legislation in the EU10 and more stringent due diligence procurement standards in its home country.

Finally, SE acknowledged all forced labour had not yet been eliminated and continued to work iteratively on an expanding set of factors with a growing number of suppliers. Moreover, future research could look beyond forced labour at other social issues, and explore how logics and practices evolved within similar companies. With many social issues having international conventions and varying country-level regulations, adding a regulatory logic might also enrich considering of combining multiple institutional logics. This future research would benefit from more deeply involving key front-line stakeholders, such as the workers in emerging economies.

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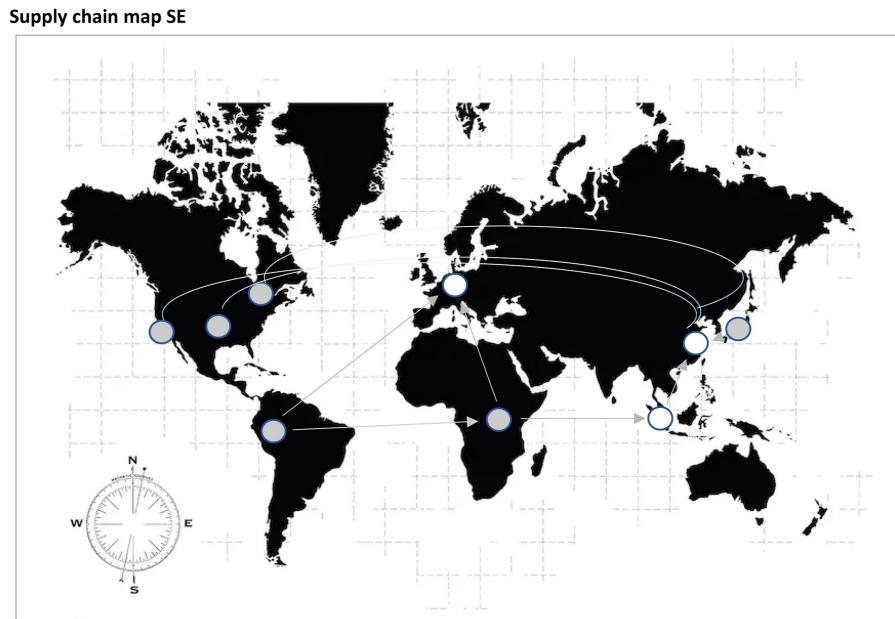
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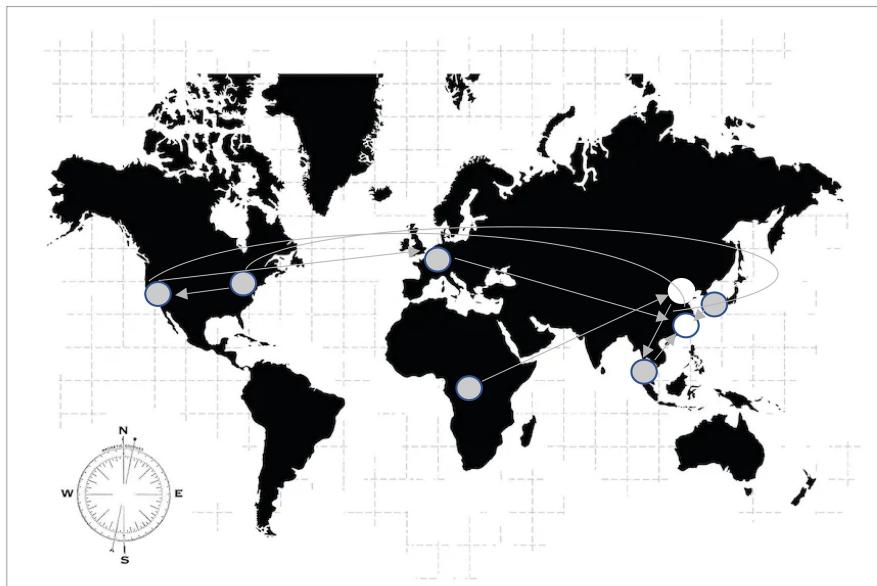
Evelyne Vanpoucke can be contacted at: [evelyne.vanpoucke@ulb.be](mailto:evelyne.vanpoucke@ulb.be)



**Source(s):** Background world map: <https://www.ikea.com/nl/nl/p/bild-poster-wereldkaart-10442267/> and supply chain flows created by authors based on interviews and sources in Table 2

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### Supply chain CF



Reducing  
forced labour  
in supply  
chains

1829

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**Source(s):** Background world map: <https://www.ikea.com/nl/nl/p/bild-poster-wereldkaart-10442267/> and supply chain flows created by authors based on interviews and sources in Table 2

## Appendix 2

### Interview questions

These are the interview questions in case of the company, as specific questions differ according to the role of the respondent:

What is the main motivator to reduce forced labour in the supply chain?

How important is the reduction of forced labour for your company?

What is the company's role in reducing forced labour?

What actions did you take to reduce forced labour in the supply chain?

How do you collaborate with suppliers in terms of forced labour?

How do you communicate with suppliers in terms of forced labour?

What is making it difficult to reduce forced labour in the supply chain?

Could you give an example of a recent practice that you implemented to reduce forced labour? How do you put it in practice?

What type of practices work well to reduce forced labour according to your experience?

How do you work together with suppliers in terms of forced labour (power vs relational)?

What are future plans to reduce forced labour?

What do you do if suppliers do not fulfil the requirements in terms of forced labour?

With which partners do you work together to reduce forced labour?

## Appendix 3

Initial codes	Categorical codes	Thematic codes	Example quotes
Institutional logic	Social-welfare logic	–	“From responsible material sourcing to advocating for workers’ welfare, we share all our results freely and set new standards for the entire industry.” (SE) “We care about human rights and worker well-being.” (SE)
	Economic logic	–	“Bringing the best user experience to its customers through its innovative hardware, software, and services.” (CF) “There is more and more request for CSR from customers and requests for transparency from investors.” (CF)
Relational view	Knowledge-sharing routines	Transparency on progress and outcomes	“We tell our complete stories about the progress and outcomes in blogs, to be as transparent as possible towards customers.” (SE) “It takes years to improve the working conditions upstream in these supply chains. Solving these issues takes time. Transparency on this progress is only a first step.” (SE)
		Iterative, reciprocal approach	“We listen to the issues at our suppliers and see where we could help.” (SE) “If they are willing to make improvements, we are willing to give them more time to reach their goal.” (SE) “All suppliers need to follow the policies that we set up.” (CF) “After an offence, suppliers receive 90 days to show that they solved the issue.” (CF)
Governance mechanisms	Cascading relationships towards multi-tier suppliers		“We also reach out beyond the final assembly manufacturer, conducting risk assessments with their critical suppliers to reduce the risk of forced labor.” (SE) “We ask our suppliers to check whether their suppliers fulfil these requirements.” (Reverse-coded) (CF)
	Referent-power		“We make progress because of mutual respect.” (SE) “We are seen as a trustworthy party by our suppliers.” (SE)
	Coercive-power		“We stop the collaboration if our supplier does not show improvements.” (CF) “Suppliers know what we expect from them and what the consequences are if they do not comply.” (CF)

**Note(s):** The case firm that was the source of each illustrative quote is identified at the end of the quote, i.e. CF = Commercial Firm; SE = Social Enterprise

**Source(s):** Authors own creation

**Table A1.**  
Coding scheme