THE INFLUENCE OF PURCHASING SOCIAL RESPONSIBILITY ON PURCHASING PERFORMANCE: PURCHASING STRATEGIC INTEGRATION AS A MODERATOR IN MANUFACTURING SECTOR IN THAILAND

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ABSTRACT

The aim of this paper is to understand the relationship between purchasing social responsibility (PSR) and purchasing performance (PP) with the mediating impact of organisation learning (OL) and moderating impact of purchasing strategic integration (PSI). The findings indicate that PSR has a direct impact on PP, whereas PSR and PP relationship is significantly mediated by OL. In addition, the correlation between PSR and PP is negatively moderated by PSI. The present study findings suggest that the use of purchasing social responsibility has an impact on both suppliers and buyers' operations in the supply chain that advance OL and increase purchasing performance. The findings of this research also indicate that organisations can understand the impact of purchasing social responsibility, but also focus entirely on other purchases which may have an impact on PP.

Keywords: Purchasing Performance, Purchasing Social Responsibility, Organisational Learning, Purchasing Strategic Integration

INTRODUCTION

In recent times, outsourcing and globalization, together with supply chain management and innovation-based capacity-driven management have gained unparalleled significance and increased supplier dependency (Sancha, 2019). Globalization also has the effect that organisations must now look beyond their social and environmental factors and consider the whole supply chain as it has been shown that the performance of suppliers affects and influences the performance of buyers (Khan et al., 2019). In today's world, organizations need to be concerned with social and environmental factors and their impact (Shahbaz, 2018). Mattel, toys Maker Company in China, paid huge sums for millions of items returned due to lead contamination. Similarly, in Indonesia and China, Nike faced a lot of challenges due to child labor. As a result of these events, the sustainability of a company is highly dependent on its buying and supply chain role in the implementation of sustainable supply chain management (SSCM) (Mani, 2018). In order to prevent damage and undue risks to their status by negatively drawing social media attention and subsequent boycotting of customers, companies must develop a socially and environmentally responsible purchasing behaviour (Seuring & Müller, 2008). This gives a strategic advantage to a company in global competition to operate sustainable enterprise (Evans, 2016; Gupta, 2012). The importance of sustainability has increased for organisations to control their entire business operations.

In this study, the concept "sustainable supply chain management" (SSCM) and Purchasing Social Responsibility (PSR) is based on Jennings and Carter (2004) findings and on

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the integration of the purchasing role into corporate social responsibility (CSR). The review of past literature has demonstrated that only a handful of previous researches have studied the correlation among the supply chain of social responsibility and organizational performance. Moreover, the application of purchasing social responsibility can also increase the performance of the suppliers through OL and thus minimize costs (Cartar, 2005) or the integration of the supply chain (Jennings & Carter, 2002). Nevertheless, the direct link between purchasing social responsibility practices and improving performance is not evident from current literature. This study highlights that purchasing social responsibility practices can serve as a motivation for companies to increase their business efficiency in Thailand's manufacturer's context. In addition, the link between purchasing social responsibility practices and performance is moderated by other purchasing practices. The current study therefore discusses one such practice, such as PSI, which may act as a moderating variable to influence the correlation among purchasing social responsibility practices and PP. Purchasing strategic integration, whether or not it exists, may help or hinder PSR influence on PP. Past literature on the link between PSR practices and PP with a moderating effect of purchasing practices is therefore yet not available. The purpose of the current study is therefore to examine how far purchasing strategic integration plays such a moderating role. Purchasing strategic integration as a moderator is considered widely, particularly in purchasing management literature. Moreover, PSI has been used as a moderating variable in many studies (Das & Narasimhan, 2001; Ferreira, 2016).

First, the objective of the current study is to help increase awareness of purchasing social responsibility practices relationships and their impact on performance in Thailand's different organisations through the use of a resource based view (RBV) in order to clarify how developing country organisations can benefit from social and environmental measures in a competitive manner. Second, the moderating role of the PSI should be explicitly examined. This indicates that various levels of change in performance depend on the PSI. Lastly, information derived from the current analysis can be of assistance to scholars involved in purchasing management research and related fields.

LITERATURE REVIEW

Conceptualization of the Model

The function of supply and purchasing management has progressively been recognized as an important factor of organizational sustainability issues. It is because it identifies the social and environmental features of the supply chain upstream. In the case of purchasing involving aspects presented in the CSR, the purchasing of social responsibility is described as "purchasing activities that meet the ethical and discretionary responsibilities expected by society" (Jennings & Carter, 2004, p. 150). There are five components to PSR practices: human rights and safety, philanthropy and community, diversity and environment. The current study included the research on sustainable supply chain management on the basis of Jennings and Carter (2004) to understand the impact of purchasing social responsibility on performance, e.g. on organizational learning and purchasing performance, particularly within the context of manufacturing sector in Thailand. Moreover, the correlation between PSR practices and PP is influenced by other purchasing activities within the organisation. PSI is believed to improve the connection between the constructs and is used as a moderating construct in this analysis. The use of other purchasing practices is shown to be in accordance with purchasing social responsibility practices. This research therefore involves PSI as a moderating variable that is extensively explored later for the development of hypotheses.

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Organizational Learning as a Mediator

Corporate social responsibility is correlated with the globalization process (Nadanyiova & Gajanova, 2020), which contributes to increased environmental and social accountability of organisations (Jermsittiparsert, 2019; Thongrawd, 2019). Large organisations focus more on CSR practices rather than smaller organizations (Kuzey, Ağan, Acar, & Açıkgöz, 2016), large organisations, particularly those listed on the stock exchange, are typically forced to raise social responsibility awareness by stakeholders. In case of the organisation, Roehrich, Hoejmose, and Grosvold (2014) argue that a socially responsible supply chain makes people feel proud to contribute to the organisation responsible for the environment and society, thereby increases the company's corporate value. In addition, employees are encouraged and motivated to develop their skills, knowledge and abilities to advance their learning. They thus share each other's views and consider others' ideas at the same time. These activities are hard to duplicate and can therefore be a means of attracting important workers in joining the organisation (Roehrich et al., 2014). Thus, we propose the following hypothesis based on the above arguments:

Hypothesis 1: PSR practices positively and significantly impact OL.

Organisational learning is an important capacity and resource for a competitive organisation that is dominant in today's business (Liu, 2017). The OL sets out policy guidance for staff to engage and to take part in environmental sustainability training (Oelze, 2016), which also contributes to the sustainability of organisations (Vereecke & Klassen, 2012). Lamming, Cousins, and Bowen (2004) propose that organisations that promptly implement environmental measures in the suppliers' programs should be separate from organizations that do not attempt to do so in their resource base. Lamming et al. (2004) further ads that organisations with strategic importance to purchasing have been increasingly inclined to involve suppliers in environmental programs, which maintain close relationships or promote their suppliers actively, such as suppliers' development initiatives. Similarly, Cartar (2005) demonstrates that purchasing social responsibility strategies have no direct effect on corporate costs but has an indirect significant correlation with the effect that OL has on the performance of suppliers as suppliers need to increase business competence to minimize costs. Consequently, since the company is associated with the suppliers, the buyers have a significant role to play in this regard. The buyers OL by improving the skills of their staff always contribute to better performance. Thus, we propose the following hypothesis based on the above arguments:

Hypothesis 2: OL positively and significantly impact PP.

The PP includes the organisation and the execution of its supply chain. The evaluation of purchasing involves real vs. materials target costs, delivery on time and quality of material purchased (McKnight, 2017). Buyer plays an important role in communicating with the supplier's system, which is why good suppliers help each other primarily in PP. Cartar (2005) and Jennings and Carter (2002) emphasized that in purchasing being social conscious help to promote collaboration with suppliers, improve social efficiency and minimize costs. In addition, this also creates connections between buyers and suppliers, including commitment and trust that can increase the capabilities of suppliers (Ram, 2008), sustainable performance and risk management (Kuzey et al., 2016). On the environmental responsibility aspect, it has an optimistic effect on the quality and product flexibility and on the potential for PP growth

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(Andersén, 2020) with the concept that environment-oriented organisations can become more creative in terms of their supplier's position (Hollos, 2014). On the social responsibility aspect, corporate social responsibility leads to improved job performance, increased saving costs, lower recruitment risks and develop good, more satisfying relations with shareholders (Yoon & Chung, 2018). Thus, we propose the following hypothesis based on the above arguments:

Hypothesis 3: PSR positively and significantly impact PP.

As already explained, there has been improved organisational performance that focus on socially responsible buying behaviour (Autry, 2013; Singh & Malla, 2017) and suppliers' efficiency (Leire & Mont, 2009). Nevertheless, the correlation among PSR practices and PP can be influenced by organisational learning where, theoretically this effect of mediation is explained by RBV (Lavie, 2006; Singh & Dyer, 1998). Since OL is capable of creating, disseminating and working on the basis of the knowledge generated by organisations, this can be considered as a resource (Birasnav, Chaudhary, & Scillitoe, 2019). This is in line with the Cartar (2005) who takes RBV and in a different research identifies the needs on learning function in a supply chain by using OL as a mediating variable in the link between PSR practices and organizational efficiency, which the organisation considers to be an important capability and resource (Barnay, 1991). However, environmental and social duty towards buyers and supplier's efficiency leads to more improvement, which motivates buyer and suppliers not only from within themselves but also from within their partners to cooperate efficiently and improve their corporate capacity. Thus, we propose the following hypothesis based on the above arguments:

Hypothesis 4: The correlation between PSR practices and PP is mediated by OL.

Strategic Integration as a Moderator

The aim of PSI is to facilitate the convergence of purchasing strategies and objectives with the development of corporate goals. The PSI therefore corresponds to the goals of the organization in terms of purchasing practices and plans (Das & Narasimhan, 2001). Past researches have shown that PSI has a significant impact on performance (Cho, 2019; Ferreira et al., 2016). Nevertheless, the development of PP still relies on many of its integrated plans to ensure better efficiency outcomes. Today, multinational corporations consider sustainability as a strategic priority for increased performance (Shad, 2019). Because of the importance of the CSR as an evidence of responsibility to the environment and society, it is becoming one of the major problems for purchasing performance. Organisations involved in environmental and social programs tend to invest unduly on promoting a socially conscious business activity, which in turn give them a competitive disadvantage (Perrini, Lenssen, Tencati, Lacy, & Foo, 2007). Asia is more sustainable, in line with Rezaee, Tsui, Cheng, and Zhou (2019), even though the outlook for sustainability in Asia and Europe is varied. As a result, the impact of purchasing social responsibility on PP is expected to decrease due to PSI. Organisations that have added PSI have higher PP (Ateş, 2018), which alone can lead to an improvement in PP even though PSR practices have not yet been applied by the organisations. It is where the purchasing social responsibility activities are required to decline towards PP because the purchasing includes strategic approaches that need to be aligned with the organizational strategy. In particular, proactive organisations prefer to include corporate social responsibility practices more into consideration when buying not only to minimize risks but also to increase better credibility (Roehrich et al., 2014). Nevertheless, there can be contradictions in buying strategies in

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underdeveloped nations that could have negative consequences. Thus, we propose the following hypothesis based on the above arguments:

Hypothesis 5: The correlation between PSR practices and PP is negatively moderated by PSI.

RESEARCH METHODOLOGY

Measurement Scales

A questionnaire survey was used for primary data collection. The measurement scale of purchasing social responsibility with fourteen (14) items were taken from (Autry et al., 2013), (Jennings & Carter, 2004) and (Carter, 2004). Accordingly, the scale of PSI with three (3) items was adopted from Ferreira et al. (2016). Likewise, PP with five (5) items was adopted from Ferreira et al. (2016) and OL with three (3) items were adopted from Carter (2005). Purchasing social responsibility practices is a higher order component with five (5) lower order components: safety, philanthropy, human rights, diversity and environment. The questionnaire was drafted from English to Thai version. A pretest was performed with one academician and five supervisors/managers before the survey was launched in order to check any complex and unclear items questions of the constructs.

Sample and Data Collection

The model hypotheses have been checked using Thai manufacturers' data. The contact details of the manufacturers were taken out from Thai Stock Exchange (SET) list. The actual sample revealed that 249 Thai manufacturers had a paid-up capital of at least 299 million Baht and is thus considered to be major manufacturers. The purchasing executives of these manufacturing industries were contacted through phone call to explain objectives of this study and asked about the company's understanding and knowledge of its social responsibility initiatives. An online questionnaire developed on Microsoft form was distributed to the participants of the study who wish to participate through email and a cover letter to explain the purpose of this study. Of the 93 questionnaires issued, eight were incomplete and, as required, eight provided full and valuable information. A total of 123 questionnaires were received. Out of 123 questionnaires 7 were discarded due to incomplete information. The remaining 116 questionnaires with a response rate of 46.59 per cent were used for final data analysis. A response rate of 46.59 per cent is deemed satisfactory in contrast to other past studies on SSCM (Blome, Hollos, & Foerstl, 2012; Hollos et al., 2014), or a minimum threshold for the sample is one construct to 10 participants (Higgins, Barclay, & Thompson, 1995).

Data Analysis

The hypotheses of this study were analyzed through partial least squares-structural equation modelling PLS-SEM technique using smart PLS 3.0 (Ringle, 2020). When the sample size is small, partial least squares technique is the most suitable. In addition, partial least squares do not presume data interval scaled and multivariate normality. This study used two stage approaches to test the hypotheses, e.g. measurement model and structural model.

RESEARCH RESULTS

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Evaluation of Measurement (Outer) Model

A total of 25 indicators of four (4) latent constructs were used to measure the theoretical model of the study. In order to complete structural model analysis, it is important that each construct develop its validity and reliability. Factors loading of the items, composite reliability (CR) and average variances extracted (AVE) are utilized for outer model analysis as shown in Table 1 and Table 2. In addition, in discriminant validity, Fornell & Larckar (1981) criterion was used to analyze the outer model of the study. The CR value of all the constructs should be greater than the threshold value of 0.7 (Chin, 1998). The items factors loading of all the constructs ranging from 0.710 to 0.921 were higher than the threshold value of 0.7. Moreover, the values of CR of all the constructs ranging from 0.854 to 0.943. Thus, measurement scales internal consistency was confirmed because all values surpass the minimum 0.70 cut-off value (Hair Jr, 2017). The current study used convergent validity (CV) in order to assess the link of every item with its related variable. Generally, the accepted cut-off value of average variance extracted should be above 0.5 as shown in Table 1 (Hair, 2011). Furthermore, in this analysis, each construct's AVE values were between 0.613 and 0.884, which confirmed CV. To measure the discriminant validity, Fornell-Larcker criteria was used in this analysis. The findings of the analysis indicate that in each construct, the AVE square root is greater than its correlations between these latent constructs in the model as shown in Table 2 (Fornell & Larckar, 1981). The findings of the discriminant validity show that the latent variables are both valid and reliable.

Table 1 Measurement Model Validity and Reliability (Lower order components)

Table 1
MEASUREMENT MODEL VALIDITY AND RELIABILITY (LOWER ORDER COMPONENTS)

Higher order construct	Lower order components	Indicators	Loadings	CR	AVE
Purchasing Social Responsibility	Purchasing Performance	PP_1	0.846	0.894	0.637
		PP_2	0.715		
		PP_3	0.831		
		PP_4	0.722		
		PP_5	0.831		
	Organizational Learning	OL_1	0.871	0.912	0.746
		OL_2	0.901		
		OL_3	0.835		
	Purchasing Strategic Integration	PSI_1	0.817	0.864	0.681
		PSI_2	0.764		
		PSI_3	0.804		
	Human Right	HR_1	0.902	0.902	0.761
		HR_2	0.838		
		HR_3	0.845		
	Environment	Env_1	0.71	0.854	0.613
		Env_2	0.826		
		Env_3	0.769		
		Env_4	0.799		
	Diversity	Div_1	0.883	0.884	0.772

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		Div_2	0.921		
	Safety	Saf_1	0.874	0.943	0.884
		Saf_2	0.887		
	Philanthropy	Phil_1	0.876	0.871	0.74
		Phil_2	0.924		
		Phil_3	0.808		

Table 2
DISCRIMINANT VALIDITY (FORNELL-LARCKER CRITERION) OF LOWER ORDER COMPONENTS

Construct	1	2	3	4	5	6	7	8
OL	0.871							
PP	0.612	0.812						
Env	0.549	0.341	0.843					
Div	0.346	0.562	0.473	0.811				
HR	0.673	0.317	0.291	0.313	0.85			
Saf	0.241	0.548	0.582	0.527	0.341	0.864		
Phil	0.452	0.45	0.419	0.483	0.425	0.587	0.876	
PSI	0.315	0.351	0.453	0.534	0.389	0.461	0.426	0.842

Note: OL=organizational learning, PP=purchasing performance, Env=environment, Div=diversity, HR=human right, Saf=safety, Phil=philanthropy and PSI=purchasing strategic integration

Evaluation of Structural (Inner) Model

Table 4 demonstrates the path coefficients values (beta values) and related t values analyzed by using bootstrapping procedure with 5,000 subsamples using smart PLS 3.0. A suitable PLS model was developed with significant beta values, coefficient of determination (R2) values and reliability of construct showing that every latent variable is greater than 0.7 (Chin, 1998). Table 3 displays the empirical findings of the inner model. The results of the analysis indicate that R2 value of PP accounted for 49.10 per cent variance and R2 value of OL accounted for 20.5 per cent variance. The predictive relevance (Q2) criterion of Stone-Geisser's was tested and utilized as an alternative predictive relevance measure with a critical zero value. The values of Q2 for dependent variables were 0.312 and 0.178 for PP and OL, which indicate a suitable predictive relevance of the model (Bookstein & Fornell, 1982).

Table 3
RESULTS OF R-SQUARE AND PREDICTIVE RELEVANCE

Construct	Coefficient of determination (R2)	Predictive relevance (Q2)
Purchasing performance	0.491	0.312
Organizational learning	0.205	0.178

The method proposed by Henseler, Chin, Vinzi, and Wang (2010) is called a two-step approach because it has higher order construct (e.g. PSR). First, this method measures a reflective model's latent variables score (LVS) without adding the higher order construct (e.g. PSR). The LVS scores of the first order measurement model are used as indicators of the higher order construct. The model in this research confirms that PSR implementation has a considerable influence on performance outcomes (H1 and H3). The results of the structural path coefficient

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showed that the correlation between PSR practices and OL is significant and positive, thus supporting H1. Similarly, results of the structural path coefficient showed that the correlation between PSR practices and PP is significant and positive. Therefore, H2 is also supported.

Indirect and Moderating Effects

Firstly, for the assessment of indirect effect, PSR has a direct significant and positive impact on PP, thus supporting H3. Secondly, PSR has a direct significant and positive impact on OL (mediator), therefore H1 is supported. Thirdly, OL (mediator) has a significant and positive impact on PP, thus H2 is supported. Lastly, a Sobel (1982) test is used to assess OL as a mediator. The strategy involved measuring the purchasing social responsibility, OL and PP in two separate models. In addition, Sobel test examines the link between unstandardized beta value and value of standard errors in Model 1 as well as in Model 2 as shown in Table 4. The findings of the structural path coefficient indicate that the association among PSR and PP is positive and significant. This partially mediates the relation among PSR practices and PP through OL which supports H4. Similarly, test has been carried out on the potential moderating impact of PSI (H5). The findings show that the relation among PSR and PP is negatively moderated by PSI (beta value = -0.203, t = 1.79), therefore H5 is supported.

Table 4
RESULTS OF STRUCTURAL MODEL (DIRECT, INDIRECT AND MODERATING)

Paths	Model 1	Model 2	Model 3
Direct and mediating effect			
PSR → OL	0.422 (4.61)***		0.424 (4.53)***
PSR → PP	0.284 (2.30)**	0.483 (4.69)***	0.231 (1.86)*
OL → PP	0.485 (4.66)***		0.499 (5.07)***
Moderator effect			
PSR*PSI			-0.203 (1.79)*
PSR effect size * PSI → PP			0.02
Note: ***p<0.01, **p<0.05, *p<0.10			

Discussion and Conclusion

From the previous literature, the current paper hypothesized the proposed relationships (e.g.H1-H5). The above all hypotheses are supported by the study findings. In general, the current study offers a better understanding of the corporate social responsibility practices in buying and its influence on outcomes of performance and PSI as a moderator in Thailand's manufacturing sector. The findings indicate that all proposed hypotheses were accepted and that the overall significant impact of purchasing social responsibility on outcomes of performance is empirically confirmed. Past researches have demonstrated financial benefits compared to competitors for organizations that consider the aspects of social responsibility in the selection of suppliers (Autry et al., 2013; Govindan, Shankar, & Kannan, 2018). In addition, the findings contradict the association among PSR and performance of suppliers. Purchasing social responsibility practices have some influence in this research, whereas other researches showed no effect on the performance of the suppliers (Cartar, 2005; Jennings & Carter, 2002).

In fact, this research shows that purchasing social responsibility has a direct impact on PP, which Jennings & Carter (2002) support in part. The current analysis also found that PP has a partial mediation by OL which is in line with Cartar (2005) and demonstrates that the

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application of PSR is also capable of supporting the environment of workplace through OL. Perhaps the present study is the first potential analysis on PSI that moderates PSR and PP relationship. Purchasing strategic integration as a moderator has similar results to those identified by Das and Narasimhan (2001) and Ferreira et al. (2016). The results of the moderated model indicate that the interaction among PSR practices and PSI adversely affects the PP. Since organisations understand that a variety of approaches will have an effect on the PSI when evaluating the PP, PSR has less effect on the PP when the PSI is higher.

Theoretical and Practical Implications

The key contribution of the current study is confirmation of the impact of socially responsible practices on the performance of Thailand's enterprises. Moreover, PSR practices affect PP directly, whereas OL partially mediates the association between PSR practices and PP. In addition, the correlation between PSR practices and PP is negatively moderated by PSI. It is an indicator that the purchasing social responsibility activities may give meaning to organisations. Nonetheless, underdeveloped countries' organisations have not yet been fully informed and thus fail to emphasize sufficiently that green practices may be necessary for long-term success of the companies. This is because organisations actually do not pay full attention or priority to green purchasing. Since delivery, price and quality are the main issues in majority of the companies, they thus have to bear more expenses if they attach social and environmental obligations.

The findings of the study also have a substantial managerial effect on the functional performance of purchasing managers. The manager of an organization needs to know that the implementation of corporate social responsibility practices will have an impact on the operational performance of the purchasing function, which will have a further impact on the activities of the supply chain partners. The results of the study further suggest that PSI has a negative impact on purchasing performance. This result indicates that purchase managers need to balance risk management and purchasing strategies, which are important when environmental and social responsibilities are neglected, and the credibility of the business is lost. It is therefore recommended that the organisation in practice, as it plays an important long-term role in the performance of the organisation, take into account the environmental and social components of purchasing.

Limitations and Future Directions for Research

However, this paper has some limitations which provide some guidelines for further research. Firstly, a longitudinal study should be conducted to broaden and replicate the impact of buyers and supplier's co-operation by concentrating on environmental and social concerns thereby ensuring that organisations achieve sustainable PP. Secondly, the current study do not take into account the components for the implementation of PSR. The internal environment (e.g. reputational issues or competitive strategy) and external environment (e.g. institutional pressure or external shareholders) as suggested by (Leire & Mont, 2009) and Hoejmose and Adrien-Kirby (2012) are the components of environmentally and socially responsible purchasing. Lastly, further studies may resolve these concerns by recognizing the competitive strategy of the company and external shareholders as components of purchasing social responsibility practices. In addition to its valuable implications, this research has few shortcomings to highlight. First, the sample size used by this research was small. Future studies should use large sample size for better results on the basis of the characteristics of an enterprise and industrial sector. Second, the

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current study did not distinguish among business to business context and business to consumer context. We therefore focused on Thailand's manufacturing companies.

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