

THE INFLUENCE OF SUPPLIERS' DEVELOPMENT PRACTICES ON FINANCIAL PERFORMANCE OF THAILAND SOCIALLY RESPONSIBLE MULTINATIONAL CORPORATIONS: CORPORATE REPUTATION AS A MEDIATOR

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ABSTRACT

Much less attention has been paid to the sustainability social pillar in developing countries, particularly in the literature on sustainable supply chain management. This research aims to provide empirical evidence of how Supplier Development Practices (SDP) affect supplier's Social Performance (SP). Moreover, the influence of supplier's SP on the Multinational Companies (MNCs) SP was examined, where Corporate Reputation (CR) was assumed to be a possible justification for the association between multinational companies SP and financial performance (FP). Survey data were collected from 145 MNCs in Thailand, and for the analysis, Partial Least Squares Structural Equation Modelling (PLS-SEM) was used. The study findings reveal that amongst the four suggested practices, Supplier Collaboration (SC) and Supplier Development (SD) significantly affected SP of suppliers and thus on SP of the MNCs. In the relation between MNCs social and financial performance, Corporate Reputation (CR) plays the role of a mediator.

Keywords: Supplier Development Practices, Financial Performance, Social Responsible, Corporate Reputation, Multinational Corporations

INTRODUCTION

Increased outsourcing and globalization are causing extreme instability in supply chains for developing nations companies (Pakdeechoho & Sukhotu, 2018). Although demand for supply chains is increasing strongly in terms of economic performance, firms must also be able to take responsibility for the environmental and social performance of their associates and suppliers (Quarshie, 2016; Jermsittiparsert, 2019). According to the past studies, complications in environmental and social practices of a company affect adversely its FP (Yawar & Seuring, 2017). Due to their accessibility to the public eye (Moeller & Hartmann, 2014), this influence is more common in organizations like MNCs that promote products of customer brand. Moreover, Sierra (2016) have shown that poor sustainability practices by suppliers would have an effect on the performance of the operation in the future and would have an adverse impact on the image of purchasing firms. As a result, the need for multinational companies to reassess social and environmental problems in their supply chain is increased. In view of that, the emphasis is now on strategies for motivating suppliers to participate in social and environment activities (Zhang & Yang, 2017). Although, there is a nuanced literature that focuses on ecological supply chain practices, there are some significant limitations that will be addressed in the current study. Firstly, the main focus of most of the studies was on the environmental aspect (Thomas, 2016), and the emphasis on the social aspect was minimal (Sierra et al., 2016). After reviewing 188 papers on sustainable responsibly, Adrien-Kirby & Hoejmose (2012) found that mere 26 per cent of them focused on social aspect, whereas 51 per cent on the environmental and 23 per cent on both the

aspects were studied. Hence, minimal knowledge exists on how multinational companies could promote social sustainability amongst their suppliers. Accordingly, the current research aims to provide empirical evidence by focusing on the social aspects of sustainability.

Secondly, a lot of the preceding research focused on developed countries, with very few focusing on developing ones (Kazemini, 2015). Countries where the Gross National Income per capita do not go above \$11,905 are referred to as developing countries, as classified by World Bank. Many products and functions of developing country organizations are often outsourced to suppliers in developing regions (Seuring & Gold, 2013) which means that suppliers are situated in unique emerging economies. When compared to developed countries, the law, social policy, and legislation of developing country appears to be more chaotic (Klassen & Vereecke, 2012). In addition, these countries are subject to problems of human rights, safety and health, and child labour (Huq, 2016). Many scholars, for example, suggested that social responsibility is still less in Southeast Asian countries like Thailand (Mohamed et al., 2019). If, as a result of a multinational company extending its suppliers to developing countries, it causes suppliers to face social problems, the credibility and performance of the multinational company may be at stake (Seuring & Gold, 2013). Stakeholders, specifically consumers, do not differentiate between different supply chain partners (Thomas et al., 2016), and therefore even purchasers are accountable to their suppliers (Yawar & Seuring, 2017). In developing countries, such as Thailand, it is therefore important to study the effects of practices on socially responsible developing suppliers.

Thirdly, most studies on the relationship between supply chain management and supplier social responsibility was qualitative (Yawar & Seuring, 2017) and also restricted to one or two key practices. Hence it is not certain as to which practice has a greater impact on the social responsibility of supplier. Moreover, since the studies were qualitative, it restricts their findings to being generalized. Sierra, et al., (2016) for example, examined the effect of development practices of suppliers on their SP and the FP of buyers. The influences of supplier selection, control, development and implementation on supplier efficiency and customer satisfaction were evaluated by Klassen & Vereecke (2012). Disegni, Huly & Akron (2012) have suggested that customers' benefits and fines should be used by the supplier to enforce social practice. Their research thus aims to empirically examine the outcomes of Supplier Development (SD), Supplier Monitoring (SM), Supplier Collaboration (SC) and incentives on the SP of suppliers, based on the shortcomings identified.

Fourth, even though research has revealed that the SP of companies affects both FP (Müller & Akamp, 2013) and corporate reputation (Disegni et al., 2012) there is less analysis of the interrelationship of these variables. The CR as the reason for the association between social and FP is explored in this research. This research provides two significant contribution to the literature on the basis of Resource-Based View (RBV) and agency theory. Firstly, agency theory provides four practices for development of socially responsible suppliers to address the concern of which practices influence suppliers' SP in developing countries more. Secondly, it offers a deeper insight of the relations between SP, CR and FP, building on resource-based view theory. It is essential to investigate supply chain management in developing countries because the supply chains in the existing globalized economy typically operates in developing countries in which the social standard of supplier and government are likely to be lesser than that of developed countries (Hong, Dobrzykowski, Park, Lee & Roh, 2012).

LITERATURE REVIEW

Sustainable Supply Chain Management

Tremendous pressure has been exerted on companies by stakeholders so that they use sustainable ways for running their businesses, asking them to focus on environmental and social situations along with the economic issues (Hsu, 2016; Thongrawd, 2019). Waste reduction, production of recycled goods, resource utilization, green procurement, reverse logistics and organizational eco-efficiency are all included in green programs (Hong et al., 2012). Social Sustainability (SS) is ultimately linked with life quality, welfare, conditions of employment, equity, connectivity and both internal and external diversity (Müller & Akamp, 2013). Currently the attention of shareholders towards sustainable responsibilities stretches further than the service of specific companies and involves their suppliers as well (Hofmann, 2014). After reviewing studies on sustainable supply chain management, Adrien-Kirby & Hoejmosé (2012) found that businesses that are environmentally and being socially responsible businesses benefit financially and non-financially, which includes business prominence, reputation, long term self-interest, legality in response to the expectation of shareholder's, averting governmental legislature and sustainable actions. The most typical way to ensure and extend corporate social responsibility practice in the relationship between buyer and seller is by code of conduct. It is important to monitor the behavior of suppliers with regard to the expectations of the buyer and the code of conduct (Hollo, 2012). Klassen & Vereecke (2012) have identified co-development or sharing of skills or resources to be essential in minimizing the sustainability risk for suppliers. Morais & Silvestre (2018) have claimed that for implementation of codes of conduct, penalty and incentives play a vital role. Ni and Sun (2019) after interviewing suppliers found that they believe monitoring could damage buyer-supplier ties. For understanding which socially responsible supplier development practice greatly impacts supplier's SP, this research examines the influences of the recommended practices in the literature composed.

Social Sustainability in Supply Chain

Appropriately managing social matters can boost the economic performance of a firm (Sierra et al., 2016; Jermisittiparsert, 2019). Because buyers should be accountable to their suppliers for their social concerns include the identification and selection of sustainable suppliers only and the exclusion of suppliers who do not meet those criteria, or the promotion of current or new suppliers' social responsibility to achieve greater sustainability (Thomas et al., 2016). Considering that retaining long standing relationship with suppliers is crucial to improving the FP of companies, the current research is focused on the premise that the buying corporations aim to enhance the SS performance of suppliers through practices of socially responsible supplier development. These are the practices carried out by buyers to improve the competences of supplier and facilitate their success in social and FP.

Agency Theory

The relationship between the principal outsourcing products and services to agents who, in turn, gets the job done on the principal's behalf is explained in Agency Theory (Jenson & Meckling, 1976). This theory is relevant to the relationship between buyer and supplier, since it buys firms that are ultimately responsible for social matters, regardless of the quantity of goods outsourced to suppliers (McCarthy, 2013). This theory suggests that power and information asymmetry, target incongruity and self-interested actions determine the likelihood of default by the supplier (Rodríguez-Serrano & Caldés, 2017). The Agency's Theory proposes the use of either behavior-based or outcome-based contracts to address the default of prospective suppliers (Wallin, 2007). The behavior-based processes are designed to enhance supplier capacities, create close ties or

integrate suppliers (Rodríguez-Serrano et al., 2017) whilst the buyer use penalty or incentives in outcomes-based contracts to make default non-profitable. Multinational companies may provide suppliers with incentives based on their SS performance to encourage SS practice among them (Yawar & Seuring, 2018). The incentive could be either financial or non-financial.

Resource-Based View Theory

Resource-based view highlights that unusual and valued resources cause competitive advantage, thus leading to superior performance (Barney, 2001). The findings expand the documentary on the socially accountable production practices of suppliers by empirical testing of the effects of four common practices in the field of literature (McCarthy et al., 2013). Many companies in developed countries are outsourcing goods, functions and components to firms in developing countries because of the labor-cost advantage (Busse & Mollenkopf, 2017). Also, these countries are marked by low SS performance, such as low ethical and social characteristics (Klassen & Vereecke, 2012). Although the past cost and quality of the products purchased were important factors in the selection and maintenance of long-term links with suppliers, the SS of suppliers is also an important element today. Shareholders may punish multinational companies when they know about any unethical supplier-related social activities (Huq et al., 2016), arguing that these wrong doings can be avoided by them. The social responsibility of suppliers therefore represents a valuable resource in market today, whereby multinational companies outsource goods to companies in developing nations, which can offer a competitive advantage and thus improve their FP.

Hypothesis Development

Supplier Monitoring (SM) and SP of Suppliers

SM refers to frequent evaluation by buyers of the activity and performance of suppliers to confirm that they fulfill social criteria and standards (Kazemina et al., 2015). Monitoring involves auditing, evaluating the compatibility of suppliers with safety standards and checking the labor practices of the company in terms of documents such as the policies of firms, contract terms and work times (Hsu et al., 2016). In order to ensure that suppliers actually practice sustainability, routine monitoring supplier's activities, including inspection, assessments or surveys, are required as part of the sustainable supply chain (Zhang & Yang, 2017) Due to the latest emphasis on social concerns, SM has become a central multinational company policy, especially in developing country suppliers (Mohamed et al., 2019). It is possible for suppliers to engage in unethical behavior such as not ensuring safety of workers, employing child labor or increase work hours for reducing cost (Sierra et al., 2016). In particular, SM will strengthen the SP of suppliers by ensuring compliance with the relevant social standards. Hence, the following hypothesis is proposed:

Hypothesis1: SM positively impacts SP of suppliers.

Supplier Development (SD) and SP of Suppliers

SD is referred to those practices when purchasing firms are directly involved with suppliers, like training, technical assistance, suggestions and feedback (Sierra et al., 2016). In current research, SD is defined as providing suppliers with technological support and trainings, tools and specialized employees on social issues (Yawar & Kauppi, 2018). When purchasing firms implement SD practices, it helps reduce usage of un-ecological practice of suppliers and thus enhance their

ecological performance (Hollo et al., 2012). Given that social awareness is at the center of the SD, purchasing companies must make sure that they are more able to tackle social problems by improving their skills through training and transfer of knowledge (Moeller & Hartmann, 2014). This improves the abilities and at the same time improves the productivity of the supplier, and can contribute to improve SP for both buyers and suppliers (Sierra et al., 2016). According to Rodríguez-Serrano, et al., (2017), sustainable SD has established a positive association with the performance of the supplier. We therefore assume that SD will promote better SP for the supplier, like ecological performance. Based on this, the following hypothesis is proposed:

Hypothesis2: SD positively impacts SP of suppliers.

Incentives and SP of Suppliers: Incentives could be either financial or non-financial measures of appreciation for suppliers, which positively affects the relation between buyer and supplier, contributing to better sustainable performances at both ends (Huq et al., 2016). Providing more incentives by supply chain partners helps in overcoming barriers and promotes sustainability practices in companies, specifically in developing countries (Vachon & Klassen, 2008). According to Roy and Epstein (2001), providing suppliers with financial incentives encourages quicker progress by them on social matters in the supply chain, enhancing the SP. Non-financial incentives, for instance annual award to suppliers' also positively influences SP of suppliers, since they encourage the suppliers and guarantees their defiance to social criterions (Quarshie et al., 2016). Hence, past studies revealed a positive correlation between incentive and performance, the following hypothesis is proposed:

Hypothesis3: Incentives positively impacts SP of suppliers.

Supplier Collaboration and SP of Suppliers

SC is when there is cooperation in the buyer-supplier relationship for the purpose of achieving sustainable objectives (Pakdeechoho & Sukhotu, 2018). A close SC mitigates information asymmetry and boosts reciprocal trust that facilitates the supplier and firm in maintaining enduring affiliation (Vachon & Klassen, 2008). Ni & Sun (2019) found that SC as a portion of social managing abilities is positively related to SP of supplier. Collaboration permits sharing knowledge by forming communication procedures and facilitates development of social and environmental performance all over the supply chain (Sierra et al., 2016). Gimenez & Sierra (2013) revealed that SC increases the SP of supplier since collaboration leads to an improved knowledge for firms and supplier. Hence, both can enhance their SP, because they can cultivate particular competences using the new knowledge. This study, thus postulates the following hypothesis:

Hypothesis4: SC positively impacts SP of suppliers.

Supplier Social Performance and Social Performance

Wood (1991) defined SP as a company's structure of social-responsibility procedures, social-responsiveness processes, strategies, ideas and evident results because of their linkage with the firm's social responsiveness. Any issue caused by the supplier's activity such as in functioning performance, FP and reputation may cause damage to the buying firm (Hollo et al., 2012). This advocates a direct connection between a firm and supplier with regards to performance, since bad performance of supplier could put the firm's performance at risk. Sharma, Mani & Agrawal (2016)

revealed that suppliers, by adopting SS can improve performance of the supply chain. Hence, the following hypothesis is proposed:

Hypothesis5: SP of suppliers positively impact the SP of multinational companies.

SP of Multinational Companies and Corporate Reputation

According to Wang & Wang (2007) CR is defined as “stakeholders’ perception and evaluation of how a company conducts its business” (P. 135). One of the established indication that determines CR is social responsibility and no doubt a company’s reputation is a result of its social performance, and a main aspect of reputation is societal expectations (Klassen & Vereecke, 2012). Delgado, Mani & Gunasekaran (2018) in their research proved that there is a positive relation between social responsiveness and CR. Social disputes in the supply chain put the firm at reputational threat, so, managing and reducing social disputes is necessary (Keh & Xie, 2009). A strong relation exists between ethical corporate SP and reputation amongst shareholders (Hong et al., 2012). Sharma, et al., (2016) suggested SS in supply chain enhances reputation and functioning performance of the buyer. Based on the mentioned literature, the following hypothesis is proposed:

Hypothesis6: SP of multinational companies positively impact their CR.

Multinational Companies Social and Financial Performance

FP is a business performance in terms of total asset, growth in sales and income when compared to its close competitors (Gimenez & Sierra, 2013). Disegni, et al., (2012) said that corporate social responsibility and FP are positively related. Roberts & Dowling (2002) stated when buying firm’s execute environmental SD practices, their FP tends to get better. SP of a firm that take part in SD can directly influence its’ FP. We therefore hypothesize the following:

Hypothesis7: SP of multinational companies positively impacts their FP.

Corporate Reputation

According to a few researchers, highly reputable firms are believed to provide better value, allowing them to keep a high price on their goods, and to have loyal consumers (Roberts & Dowling, 2002). Keh & Xie (2009) argued that, as an effect of corporate responsibility performance, CR is an elusive means that produces a competitive advantage and therefore has an impact on the firm’s FP. When a firm is positively reputed, the introduction of a new product will support the efficiency of sales power and retrieval approaches in case of danger, thus leading to a better FP (McCarthy et al., 2013). Irrespective of business circumstance, CR is positively related to performance of the firm in general. Based on past researches, the following hypothesis is developed:

Hypothesis8: CR of multinational companies positively impact their FP.

Hypothesis9: CR of multinational companies positively mediates the link between their SP and FP.

RESEARCH METHODOLOGY

Measurement of Variables

For this research, questionnaires have been used to measure constructs, as they provide a reliable outcome that can be generalized. Items that measured SM, SD, SC and suppliers' SP have been adapted from Kazeminia, et al., (2015). Items that measured incentives was adopted from Ağan, Kuzey, Acar & Açıkgöz (2016); whereas items measuring multinational companies SP, multinational companies CR, and multinational companies FP have been adapted from Paulraj (2011); Brik, Rettab & Mellahi (2009); Lee, Lau & Cheng (2013) respectively. Five (5) point Likert type scale ranging from 1="strongly disagree" to 5="strongly agree" was used to measure all items.

Sample and Data Collection

Data were collected from multinational companies producing and selling customer goods in Thailand. Adrien-Kirby & Hoejmosse (2012) have revealed that purchasing power is a major contributor to socially responsible supply chain management. For this survey, foreign-based multinational companies with more power will be studied, whose parent companies are spread across the globe, thus improving the generalizability of the outcome. The sample was chosen from year 2017 directory of "Federation of Thai Industries". All of the multinational companies listed in the directory that sell consumer-branded goods have been contacted by the authors of this study *via* phone calls. The participants were the managers linked to the supply chain (business managers/directors, purchase managers and supply chain managers). For the collection of data, the online-sampling technique was used. After e-mailing the online survey link to the participants, they were contacted again by phone call after two weeks. The online survey was thought to be an appropriate method of data collection because it is cost-effective, and a larger population can be reached. After a 2-month process, 145 (30.1 per cent response rate) of the 481 surveys were selected for analysis.

Table 1 provides the participant's and their firm's information. Most of the multinational companies that participated in the survey had more than 1000 workers in their branches in Thailand (57.8 per cent) and had been established for more than 15 years (84.8 per cent). All the multinational companies were foreign based: most firms from Northern America (37.9 per cent), followed by Europe (30.3 per cent) and Asia (26.2 per cent). Most of the participants were males (60.6 per cent), having an experience of more than 10 years in their respected industries (73.1 per cent). About 72.4 per cent participants were supply chain managers, 22.0 per cent purchase manager and the remaining 5.5 per cent business manager/director. With regards to the education of participants, 76.5 per cent were bachelor's degree holders, 16.5 per cent has postgraduate degree, 4.1 per cent having diploma and 2.7 per cent were PhD holders.

Characteristic	Category	Frequency	Percentage (%)
Sex	Male	88	60.6
	Female	57	39.3
Size of Firm (No. of employees)	Less than 1000	61	42
	1001 - 3000	36	24.8
	3001 - 5000	26	17.9
	More than 5000	22	15.1
Age of firm (years)	06-Oct	9	6.2
	Nov-15	13	8.9
	More than 15	123	84.8

Place of Parent Company	North America	55	37.9
	Europe	44	30.3
	Asia	38	26.2
	Other	8	5.5
Designation	Supply Chain Manager	105	72.4
	Purchase Manager	32	22
	Business Manager/Director	8	5.5
Years of experience	Less than 10	39	26.8
	More than 10	106	73.1
Education Level	Diploma	6	4.1
	Bachelors	111	76.5
	Post-graduate	24	16.5
	PhD	4	2.7

Common Method Variance

One of the sources of measurement errors in self-administered surveys that is likely to reduce the validity and reliability of variables and the hypothesized association is common method variance (Fuller, Simmering, Atinc, Atinc & Babin, 2016). For minimizing and assessing common method variance, this study performed few procedures in two ways - procedural and statistical. Initially, a procedural remedy was applied by enabling items to be simple, clear and short and guaranteeing participant's anonymity (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). Then, statistical remedy was used by 'marker variable technique' (Lindell & Whitney, 2001), where a marker variable hypothetically is not related to any of the study variables. Since no significant correlation was detected, it can be concluded that common method bias, in this research is not an issue.

Data Analysis

As Hair, Risher, Sarstedt & Ringle (2019) recommended the software on the 'Webpower' website was used to test data normality. From the results obtained, it was found that data was abnormal, which is usual for social science. Hence, due to limited sample size, Partial Least Square-Structural Equation Modelling (PLS-SEM) was used for testing the hypothesis. For examination of the model of the study, two steps method was implemented. The first step included the testing of reliability and validity, and the second step included testing of the hypothesized relationships.

RESEARCH RESULTS

Measurement Model

Convergent validity has been assessed by using the measurement model based on the criterion recommended by Hair, et al., (2019). As shown in Table 2, every construct had Composite Reliability (CR) of more than 0.7 and more than 0.4 factor loadings. The values of Average Variance Extracted (AVE) were greater than 0.5, hence suggesting that convergent validity was satisfactory.

Construct	Item	Factor Loading	Composite Reliability	Average Variance Extracted
Supplier Monitoring	SM1	0.911	0.939	0.712
	SM2	0.812		
	SM3	0.945		
	SM4	0.885		
Supplier Development	SD1	0.836	0.978	0.853
	SD2	0.953		
	SD3	0.946		
	SD4	0.922		
	SD5	0.913		
Incentive (I)	IC1	0.872	0.925	0.779
	IC2	0.911		
	IC3	0.878		
	IC4	0.836		
Supplier Collaboration	SC1	0.952	0.963	0.818
	SC2	0.967		
	SC3	0.827		
	SC4	0.951		
Supplier's Social Performance	SSP1	0.978	0.978	0.846
	SSP2	0.953		
	SSP3	0.966		
	SSP4	0.782		
Multinational companies social performance	MCSP1		0.987	0.966
	MCSP2	0.932		
	MCSP3	0.949		
	MCSP4	0.938		
	MCSP5	0.929		
Multinational companies corporate reputation	MCCR1	0.989	0.979	0.936
	MCCR2	0.965		
	MCCR3	0.991		
Multinational companies financial performance	MCFP1		0.992	0.967
	MCFP2	0.957		
	MCFP3	9.978		
	MCFP4	0.993		

By measurement of the outer loadings, discriminant validity was assessed. Researchers applied the Heterotrait-Monotrait (HTMT) ratio (Henseler, Ringle & Sarstedt, 2015), apart from the Fornell & Larcker (1981) criterion. First of all, no cross-loadings were found amongst the items. Secondly, as shown in Table 3, AVE's square root is more than the correlations between the variables, confirming discriminant validity. Thirdly, none of the values of HTMT surpassed the criteria (0.85), which means discriminant validity is confirmed in every construct (Table 4).

	SM	SD	Incentive	SC	SSP	MCSP	MCCR	MCFP
SM	0.888							
SD	0.742	0.936						
Incentive	0.654	0.812	0.865					
SC	0.823	0.749	0.752	0.931				
SSP	0.671	0.702	0.691	0.711	0.92			
MCSP	0.644	0.568	0.512	0.695	0.728	0.937		
MCCR	0.432	0.421	0.385	0.457	0.481	0.576	0.989	
MCFP	0.411	0.387	0.434	0.462	0.462	0.51	0.522	0.984

Notes* SSP=Supplier Social Performance; MCSP=Multi-national company's social performance; MCCR=Multi-national company's corporate reputation; MCFP=Multi-national company's financial performance

	SM	SD	Incentive	SC	SSP	MCSP	MCCR	MCFP
SM								
SD	0.777							
Incentive	0.761	0.856						
SC	0.842	0.785	0.811					
SSP	0.709	0.741	0.742	0.82				
MCSP	0.662	0.631	0.565	0.719	0.799			
MCCR	0.437	0.449	0.409	0.482	0.523	0.582		
MCFP	0.428	0.411	0.479	0.469	0.466	0.502	0.529	

Structural Model

In this research, the R^2 value of suppliers' SP, multinational companies SP, CR and FP were 0.658, 0.553, 0.311 and 0.367, respectively. Measurement of predictive-relevance was then done by computing the Stone-Geisser Q^2 value. Results revealed that all the Q^2 values - suppliers' SP (0.466), multinational companies SP (0.458), multinational companies CR (0.281) and multinational companies FP (0.316) were above zero (0), hence the predictive-relevance of the dependent constructs of the study is confirmed. As per bootstrapping result, even though SD ($\beta=0.301$; $p=0.017$) and SC ($\beta=0.436$; $p=0.000$) positively impacts suppliers' SP, SM ($\beta=0.089$; $p=0.231$) and incentives ($\beta=0.06$; $p=0.320$) did not have any impact on supplier's SP. The relation between suppliers' SP and multinational companies SP was supported ($\beta=0.721$; $p=0.00$). Multinational companies SP positively impacted both its' CR ($\beta=0.549$; $p=0.000$) as well as FP ($\beta=0.288$; $p=0.000$). Multinational companies CR also positively impacted its FP ($\beta=0.387$; $p=0.000$). For testing the mediating role of CR of multinational companies in the association between SP and FP, the authors of this study used the bootstrapping indirect-effect technique (Preacher & Hayes, 2008) and result of the analysis revealed that the indirect-effect was significant ($\beta=0.211$; $p=0.000$). Therefore, apart from Hypothesis 1 and Hypothesis 3, all of the hypotheses have been supported.

Hypothesis	Relationship	Path-coefficient	t-value	p-value	Decision
Hypothesis1	SM → SSP	0.089	0.766	0.231	Rejected
Hypothesis2	SD → SSP	0.301	2.133	0.017*	Accepted
Hypothesis3	Incentive → SSP	0.06	0.385	0.372	Rejected
Hypothesis4	SC → SSP	0.436	3.799	0.000***	Accepted
Hypothesis5	SSP → MCSP	0.721	19.6	0.000***	Accepted
Hypothesis6	MCSP → MCCR	0.549	8.488	0.000***	Accepted
Hypothesis7	MCSP → MCFP	0.288	3.865	0.000***	Accepted
Hypothesis8	MCCR → MCFP	0.387	5.313	0.000***	Accepted
Hypothesis9	MCSP → MCCR → MCFP	0.211	4.501	0.000***	Accepted

DISCUSSION AND CONCLUSION

As per the findings, SM did not significantly influence suppliers' SP. This is in contrast to the finding of Fröhling, Zimmer & Schultmann (2016), who claimed constant monitoring would effectively implant values of social responsibility by activity of suppliers to enhance suppliers' and to improve their SP. According to some researchers, monitoring only helps to improve buying firms' reputation and avoids damaging the reputation (Kazeminia et al., 2015). Monitoring did not affect suppliers' SP, as it may only be useful to the multinational companies for ensuring that suppliers are following the social standards. But it is possible that the supplier's do not always maintain social standards and do so only when there are inspections or assessments, thus, SS performances are not developed. Even though monitoring measures to the extent that the supplier complies with codes and standards but does not really help to implement them (Brik et al., 2009). Findings supported the hypothesis that SD positively impacts SP of suppliers. This is similar to what Müller & Akamp (2013) had found- that SD improves their SP. Support provided by multinational companies in the form of training and technological assistance to the suppliers helps them to boost their skills and capabilities. SD practices in near future are believed to foster a tactical partnership that, apart from inspiring social problems, also allows for a mutual understanding and alliance of changing social requirements within the supply chain.

Incentives showed no impact on SP of suppliers which means that only offering incentives is not enough to endorse SS amongst suppliers. This does not coincide with study of Huq, et al., (2016) who claimed incentives to be essential in stimulating SS. A dearth of knowledge on SS requirements could be a possible cause of incentive not having an effect on SP. For instance, if a supplier is provided with financial support, but not the accurate guideline or training for managing social issue, it is of no use because the suppliers do not know the SS requirements. After interviewing suppliers, Morais & Silvestre (2018) found that the cost of being knowledgeable about and fulfilling the SS requirements was too much for them, and incentives provided by buyers' was not sufficient. Another cause of this insignificant relationship could therefore be the imbalance in the cost and benefit equation. SC also had a positive impact on SP of suppliers, consistent with the findings of Yawar & Kauppi (2018); Delgado, et al., (2018). During SC, suppliers and buyers work together, knowledge is shared, new things is learnt which improves the ability to perform sustainably, with reduced cost and error. Both SD and SC that is directly involved with the multinational company is positively related to SP of suppliers while both SM and incentives that is indirectly involved has no impact on SP. Both collaboration and monitoring are necessary for achieving good SP excellence in the supply chain. Whilst incentives are beneficial for proving the chance for development; it should go along with SD and collaboration practices.

Suppliers' SP was positively found to be related to multinational companies SP. Firms must guarantee the enactment of social standard all over the supply chain, since supplier's SP is a mirror image of SP of the firm. Seuring & Gold (2013) claimed that managing suppliers is essential as it enables the firm to include its social standards to its supplier's in order to be certified, making sure that SPs of both the firm and the supplier are inter-related. Multinational companies SP have a positive impact on its CR. Firms having good SP avoids disturbance in the supply chain which provides the chance of maximizing their production output, contributing to better FP. This will draw more investors toward the firm and provide it with a competitive advantage. A positive relation was established between multinational companies CR and FP. This is similar to study by Roberts and Dowling (2002). SP is necessary for enabling companies to develop a good reputation, which then permits them to gain the rewards from good FP. Thus, CR is a factor of SP leading to more FP.

Theoretical and Practical Contribution

This study contributes to the literature by providing empirical evidence of SS in the supply chain in a developing country. The outcome of the current research extends the literature by defining the socially responsible supplier-development practices that significantly affects SP of suppliers. In qualitative studies, SM, SD, incentives and SC have been identified as practices which buyers can embrace for enhancing the social responsibility of suppliers. Findings revealed that SD and SC, which require the direct involvement of multinational companies, have a significant impact on the supplier's SP, but SM and the incentives, which are indirect means of participation, have no impact. This indicates that when compared to agency theory's outcome-based contract, behavior-based contract more effectively manages the risks of default and enhances SP of suppliers. Findings also show that the SP of these suppliers is a valuable resource capable of developing competitiveness and thus improving the FP of multinational companies. For optimizing practices of SS in the supply chain, multinational companies must actively support their suppliers to carry out good SP. They should understand that SM and giving incentives does not have much influence in comparison to SD and SC. Thus, they need to share resources and technology and conduct training for suppliers for benefitting in the near future. Nevertheless, this does not call for ignoring SM and incentives. Once a standard of social responsibility has been developed by multinational companies, these two practices can be implemented. Conversely, future researchers can explore the moderating roles of SM and incentive in relation to supplier's SS. The positive impact of supplier's SP on multinational companies SP indicates the importance of supplier's SP in shaping the social performance of multinational companies and, as a result, their CR and FP.

Limitations

In this research, SS in the supply chain was studied only from the point of view of multinational companies and not suppliers, so there is a possibility of bias in the perspectives. The perspective of supplier's should also be considered as it could be beneficial to support or challenge the relationships of multinational companies' activities in SP and its influence as a whole in the supply chain. It is suggested that upcoming researchers should collect data from multinational companies as well as the suppliers. In this study, SM and incentives did not impact SP of suppliers. Future researchers must explore these both as moderators to examine its influence of SD and SC on social performance. Moreover, power-dependency, trust relationship, age of supplier-buyer relationship and distance of organizations (Adrien-Kirby & Hoejmose, 2012) could possibly have an impact on the efficiency of SD practices. So, the effects of these aspects must be controlled by future researchers.

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