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**Extending the HR role in global value chains: the monitoring and control of HR  
practices in the South African automotive industry**

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# **Extending the HR role in global value chains: the monitoring and control of HR practices in the South African automotive industry**

## **Abstract**

Global value chain theory highlights imbalances in power and knowledge down supply chains, and the impact on labour standards and the value allocated to each tier. Yet, whilst global supplier networks may have become more unequal, they have also become more opaque, and the extent to which dominant parties monitor and control HR practices down their supply chains remains under-explored. This chapter investigates these issues within the quite highly regulated South African motor industry, revealing how offshore and transactional relations with suppliers are leading to diminished knowledge of, and interest, in second and lower tier suppliers' HR practices, outside of adherence to basic labour standards. We extend global value chain theory through highlighting their dynamic and shifting nature. In doing so, we focus on HR practitioners' attitudes and behaviours within supply chain networks and how their actions might mediate or amplify existing imbalances in resources and power. The chapter's substantive contribution is to highlight tensions in the HR role, given the growing imperative to take responsibility both within and beyond the firm.

# **Extending the HR role in global value chains: the monitoring and control of HR practices in the South African automotive industry**

## **Introduction**

It has long been known that the nature of supply chain relationships can impact on HR practices within suppliers (Beaumont, 1996; Fisher *et al.*, 2010), and that imbalances in power and knowledge down supply chains can affect labour standards (Grimshaw and Rubery, 2005). Yet, whilst, in the automotive industry, the dominance of the final producer may be secure, more could be done to monitor and accept responsibility for HR practices further down the supply chain (Holman *et al.*, 2012). This is a study of how HR practices are monitored across supply chains within production networks that have both local and global features. The South African automotive industry has been hugely successful in repositioning itself from serving a closed and isolated domestic market to a global one, but this has recast relations with suppliers (Barnes, 2000), leading, in some instances, to closer and in others, more arms-length and geographically remote contractual relations. This might be expected to impact, in turn, on information flows across supply chains and also on the degree of convergence and divergence in HR practice.

In South Africa, as is the case worldwide, traditional forms of employment regulation have been affected by the outsourcing of work that was previously performed by direct employees. Moreover, there is evidence of great disparities in the quality of work and employment in production networks (Doellgast and Greer, 2007; Taylor, 2012; Mashilo and Webster, 2021) and, in some industries, of a reinforcement of low labour standards on the periphery (Bamber *et al.*, 2016). The buyers' legal responsibility for labour conditions of local suppliers varies: there is minimal responsibility in many liberal market economies. In

South Africa, firms are bound not only by national legislation, but also by industry specific collective bargaining mechanisms. Yet, there is much difference in the nature and effectiveness of the latter on sectoral lines, and not all suppliers have had their activities defined by the same sector. It might be anticipated that within automotive industry supply chains, which tend to be final producer (manufacturer) rather than buyer (brand) driven (Yeung and Coe, 2015), there would be close relationships, and diffusion and monitoring of higher value-added HR practices, in the interest of reputation and quality (c.f. Locke *et al.* 2013). But self-regulation can fail, and, in other sectors, a number of prominent multinational enterprises have been subject to escalating consumer and political pressure to promote better labour standards (Barrientos and Smith, 2007; Riisgaard and Hammer, 2011).

Although Global Value Chain theory recognizes intrinsic imbalances in power and the relative allocation of resources through global production networks (Gereffi et al. 2005), it can be argued that insufficient attention is accorded to the agency of HR managers (see Fisher *et al.*, 2010). Through their quotidian choices, actors mediate or reinforce existing relationships (Simmel 2001). Given that a characteristic of GVCs is variation in the quality of people management, this chapter explores how HR managers may influence, and indeed, redefine relations down GVCs. The chapter's main theoretical contribution is to extend global value chain theory through consideration of HR attitudes and behaviours within supply chain networks, as a means of understanding the role and potential of actors in reconstituting value chains. It is argued that GVCs represent dynamic and contested networks: whilst they are intrinsically about inequality, the latter may vary in scale and scope according to shifts in both material circumstances and action.

## **Monitoring and control of HR practices within local and global supply chains**

As Global Value Chain (GVC) theory alerts us, within supply chains, it is not just the physical flow of commodities that is important, but also the relative value accruing to each stage of the production chain and emergent disparities in power and knowledge (Gereffi *et al.* 2005). The role of dominant parties in the supply chain varies, with some taking an active role in regulating their supply chain, both within and across national boundaries (Reinecke *et al.* 2012; Donaghey *et al.* 2014; Yeung and Coe, 2015). This regulation may extend to employment since employment relations are closely bound up with the operation of GVCs, and the configurations that the latter assumes will be associated with particular work and employment relations regimes (Lakhani *et al.*, 2013). The ways in which dominant firms may regulate employment practices within suppliers may vary. While all seek to enhance competitive advantage (Wright *et al.* 2005), this might be through relentless cost cutting, or the promotion of better standards to enhance quality and /or to avoid reputational damage (Bartley, 2007). Importantly, consideration needs also to be given as to whether management control practices in one domain (for example, HR practices) relate to or are differentiated from management control practices from another domain (for example, Management Accounting control practices) when monitoring and controlling local and global supply chains (Mouritsen *et al.*, 2022).

Regulation might take different forms. Attempts at supply chain self-regulation may be influenced by supply chain relationships (Grimshaw and Rubery, 2005), which may range from short-term transactional to long-term relational contracting approaches (Cadden *et al.*, 2013). Where buyers adopt a longer-term, more relational contractual arrangement with suppliers they are more likely to intervene and help suppliers to improve employment practices (Locke *et al.*, 2013). This might be through different forms of knowledge transfer (see, for

example, Wood et al, 2016). Information flows may be informal or formal, with formal socialisation being associated with improved comprehension and speed (Khan *et al.*, 2015).

Inequality may be quite deeply embedded within GVCs, yet there are limits to the power of dominant parties. Firms may be influenced by trade union pressure, as well as by industry and ownership form (Taylor, 2012), and various forms of governance – private codes, governmental regulation and civil society pressure – have gained influence and acted on GVCs in distinct, but inter-related manners, thereby impacting on the HR practices that they impose on their suppliers (Gereffi and Lee, 2016). In other words, GVCs are not static, and power relations – and, ultimately, resource allocations – may shift in response to the strategies and choices of actors that play an internal role in the value chain, and external ones. As Arendt (2007) reminds us, power is not simply a reflection of resources, but also about discourse: how the latter plays out may strengthen or weaken different players. This may amplify the relative worth of their particular resource allocations and indeed, lead to a reallocation of resources between parties. The role of HR managers in this process is an important one. They could enable the diffusion of good HR practices within the firm and between firms, or align HR practices across firms (Fisher et al., 2010), facilitate the exchange of knowledge in areas such as training and employment relations through supplier development strategies (Hunter et al., 1996; Wood et al., 2016), or require supplier conformity through enforcement (Dibben et al., 2016). Yet there has been a general lack of empirical evidence in these areas.

This chapter explores variations in, as well as possible divergence and convergence, in HR practices down GVCs, focusing on the role and potential of HR departments in dominant firms to mould or enhance HR practices among suppliers. In doing so, it addresses five key research questions: to what extent do automotive firms attempt to transfer HR practices to their suppliers; to what extent do they actively monitor suppliers' HR practices to ensure compliance; who is deemed to be responsible for control of suppliers' HR activities; what are the firm-based

and contextual influences on this activity; and how can HR managers reinforce or reshape HR practices beyond organizational boundaries?

### **Research context and methods**

This research was undertaken within the South African motor industry which dates back to the early twentieth century when Ford (1924) and General Motors (1926) established assembly plants which primarily used semi knock down kits and locally sourced only a limited number of basic components (Barnes and Kaplinksy, 2000). Higher localisation was driven by government industrial policies, including tariffs and import permits, and political isolation during apartheid (1948-1994) (Barnes, 2000; Barnes and Kaplinksy, 2000). Work and employment relations within South African car manufacturers and their suppliers centred on 'racial Fordism', combining a racial division of labour with Fordist methods (Rogerson, 1991). Simultaneously, the rise of independent unions from the early 1970s forced larger employers to accommodate unions, even if it took the end of apartheid to drain much of the toxicity from industrial relations (Wood, 2001).

The ending of apartheid led to the liberalisation of markets, and by the late 1990s the seven automotive manufacturers (Nissan, Toyota, General Motors, Mercedes Benz, Volkswagen, BMW and Ford) were within global ownership networks (Barnes and Kaplinksy, 2000). The 1995 Motor Industry Development Plan (MIDP) led the automotive industry to become more outwardly focused and changed the relationship between original equipment manufacturers (OEMs) and suppliers. Duty free imports were allowed in return for export of locally sourced components of a similar value, but in effect, the automotive components industry received limited protection. Their status largely depended on the OEM's ownership, with German OEMs facilitating suppliers' sales to the whole corporation but



suppliers to non-German ones facing steeper competition (Barnes, 2000). The MIDP's successor, the Automotive Production and Development Programme (APDP) 2012, offered a local manufacturing incentive, regardless of whether vehicles were sold locally or exported (Mashilo, 2019), and grants enabled investment in technologically advanced production. However, local automotive components manufacturers failed to be internationally competitive, despite government policies, and OEMs often imported cheaper components (Sharma and Naude, 2021). The industry was ever more closely integrated into global production, and the knocked-down kit (CKD) model was revitalised and refined, rather than terminated. In practical terms, this often meant closer relations - and greater flows of information - between locally based car majors and first-tier suppliers, even as the global status of production networks was confirmed and deepened.

South Africa is quite a highly regulated labour market (World Economic Forum, 2016), with quite strict employment protection legislation, industry wide collective bargaining via the Bargaining Council System, and affirmative action. Suppliers may belong to a different industry, and hence, be subject to a different Bargaining Council, which may set greater or less stringent industry standards; the Broad-Based Black Economic Empowerment (BBBEE) Amendment Act (2013) requires companies to complete an equity scorecard where suppliers' scores affect the company's score.

The research for this study involved nine automotive companies, focusing on in-depth interviews with CEOs, supply chain managers, accountants, HR managers, production managers and trade unionists and government policy officers. The interviews were undertaken in 2014 in the environs of Durban, Cape Town, Port Elizabeth and East London. Case study organisations were selected on the basis that they were known in the industry as having 'good' HR practices (see Holman *et al.*, 2012). This chapter draws on 33 interviews within three OEMs and six major suppliers, in addition to two representatives from

government departments, one from an NGO, and two from trade unions. With permission, all of the interviews were recorded and transcribed, with the exception of two of the trade union interviews where notes were taken during the interview.

Each of the OEMs and suppliers was linked into global production networks. However, given the more extensive supply chain network of the first OEM, additional interviews were undertaken within that organisation. The list of interviewees is shown in Table 1, which includes interviewee job role and some of the main regions for their suppliers (outside of South Africa). The firms' number of employees is not provided, given the need to preserve anonymity. However, they were generally large companies, with the OEMs each employing between around 2,000 and 5,000 employees within South Africa.

Table 1 Case study firms and interview participants

	<b>Supplier to OEMs including:</b>	<b>Suppliers from (main regions)</b>	<b>Participant Code</b>	<b>Participant job role</b>
Firm1		South America, Europe, Asia	Acct1 Hr1 Mgr1 Mgr2 Mgr5 Scm1 Scm2 Scm3 Scm4 Scm5 Scm6	Accountant / Finance (Director) HR Director Production Manager Production Manager Production Manager Supply chain director Supply chain director Supply chain director Supply chain director Supply chain director Supply chain director Supply chain director
Firm2		Europe	Hr1 Scm1	HR Director Supply chain director
Firm3		Europe	Scm1 Hr1	Supply chain director HR Director
Firm4	Firm3	Mexico, Europe	Scm1 Hr1 Tu1	Supply chain director HR Director Trade union representative
Firm5	Firm2	Europe	Ceol Acct1	CEO Accountant / Finance (Director)
Firm6	Firm3	Europe	Tu1 Tu2 Hr1	Trade union representative Trade union representative HR Director
Firm7	Firms1,2,3	Europe, Asia	Scm1 Acct1 Hr1	Supply chain director Accountant / Finance (Director) HR Director
Firm8	Firms1,3		Hr1	HR Director
Firm9	Firm3	China, Europe, US	Hr1	HR Director

			Ngo1	NGO Director
			Gov1	Government official, economic development
			Gov2	Government official, economic development
			TU,Auto1	Regional trade unionist, NUMSA
			TU,Auto2	Trade union representative, NUMSA

We designed protocols for each interviewee type including open questions and possible prompts and probes, developed through drawing on existing literature and in consultation with the research project’s academic and practitioner advisory board. Following ethics considerations including informed consent, interviews took between 30 minutes and two hours, but usually lasted over an hour. The areas for questioning included the nature of job roles; HR practices; supply chain relationships; sharing of good HR practices; monitoring of suppliers’ HR practices; influences on the degree of monitoring; and remedial action undertaken where suppliers’ HR practices were of concern. The firms were foreign owned subsidiaries of large multinationals, and although questions included coverage of the parent role, the focus was on the nature of the South Africa based subsidiaries’ inter-organisational relationships with suppliers rather than on intra-firm relations, a topic that could be regarded as a separate line of enquiry (see Fisher *et al.*, 2010). Following data collection, whole audio recordings were transcribed. Template analysis enabled systematic organization of the whole dataset but also allowed us to see emergent patterns and themes (King and Brookes, 2019; Cassell and Bishop, 2019). A priori themes were identified from the literature and then open coding helped to determine further emergent themes. For example, the original theme for ensuring supplier compliance later included subthemes such as: HR practices covered, responsibility for second-tier suppliers, compelling second-tier suppliers to have good working conditions, and removal of suppliers due to HR practices. In relation to monitoring and control, insights emerged regarding how localised management control practices appeared to be dominant even though the automotive companies were part of large global

manufacturing organisations (see Cruz *et al*, 2011). The findings are presented in the following section and organised according to the research questions outlined above.

## **Findings**

In this section, we firstly explore the extent of diffusion of HR practices from buyers to suppliers, before considering the extent to which buyers actively monitored the HR practices of suppliers and attempted to ensure compliance. We then consider *who* was deemed to be responsible for control of suppliers' HR practices and identify firm-based and contextual influences on this activity. As we move through the findings we develop propositions.

### *Sharing of HR practices between buyer and supplier*

Companies were asked about the extent to which they shared HR information about their company with their suppliers. In Firm1, the HR team had previously shared their expectations with suppliers and exchanged good practices through a supplier council. In Firm9, the HR manager reportedly shared 'most information' on HR, including absenteeism, training and skills. Meanwhile, in Firm3, topics shared included shift models and performance-based rewards, but mainly through informal conversations: '...we have been sharing that information with the suppliers but we're not prescriptive in how they do it' (Firm3,scm1). However, they acknowledged that there were weaknesses in their approach, explaining how they had changed production hours but their supplier was not able to keep up with them due to different agreements with their union, which fell under a different industry's bargaining arrangements. In other companies, such as Firm2 and Firm4, the sharing of information tended to be around training on production processes, but not HR. The supply chain manager

in the latter organisation had placed their own personnel into the supplier firm to ‘ensure that certain controls are maintained, a certain flow rate of material out of that supplier is maintained’. Another key issue was industrial conflict, and some companies had engaged with suppliers to plan around anticipated strikes (Firm1, Firm5).

When asked if they shared HR information with customers, the answer was generally negative:

They wouldn’t ask and we wouldn’t tell (Firm5,acct1)

They only get neurotic when they hear that there’s going to be a strike and then we have to give them information as to what the possibilities of any strike action or industrial action is (Firm7,Hr1).

[We share on a] need to know basis: because you don’t want a customer too deep in your details (Firm9,Hr1).

These answers highlight the tension between seeking to share ‘good’ HR practices and competitive concerns (Holman *et al.*, 2012: 8).

Proposition 1: There is limited sharing of good HR practices, and it is mainly focused on production

### *Company monitoring of the suppliers’ HR practices*

Respondents were asked whether their company monitored a specific range of first-tier supplier HR practices, but as Table 2 shows, this monitoring appeared to be very limited.

Table 2      Monitoring of first-tier supplier HR practices

	<b>Train</b>	<b>IR</b>	<b>Pay</b>	<b>H&amp;S</b>	<b>Temp work</b>	<b>Work hours</b>	<b>Equity</b>	<b>Staff turnover</b>	<b>Child labour</b>	<b>Forced labour</b>
Firm1	Y	Y	N	Y	N	-	Y	-	N	N
Firm2	N	N	N	N	N	N	Y	N	N	N
Firm3	N	Y	N	Y	N	Y	Y	-	N	N
Firm4	N	Y	N	N	N	-	Y	-	N	N
Firm5	Y	Y	N	N	N	Y	N	Y	-	-
Firm6	N	Y	Y	N	N	N	Y	N	N	N
Firm7	N	N	N	N	N	N	Y	N	-	Y
Firm8	N	N	N	Y	N	N	Y	-	N	-
Firm9	Y	N	N	Y	N	N	Y	N	N	N

The HR practices that were more likely to be monitored were training, industrial relations, health and safety, and equity issues, the latter since they impacted on obtaining government contracts (Firm1,scm1). Although not explicit, the focus on training may have been influenced by returned levies under the Skills Development Levies Act (1999), but, as previously suggested by Marchington and Vincent (2004), it also appears to have been influenced by the desire to improve costs and product quality. Some suppliers had internal training programs, so it was only necessary to monitor whether workers were adequately trained to enable them to deliver products (Firm1,scm2; Firm6,scm1). Or firms stated that they needed to know that suppliers spent money on training if they were introducing a new product for them (Firm5,CEO1). The supply chain manager of Firm3 did not require, but ‘expected’ supplier training to happen.

There was generally close scrutiny of industrial relations issues and likely strikes. For example, in Firm1,

Our HR colleagues will monitor key dates in the bargaining cycle. We then say, OK right, if Bargaining Council X is going to be impacted or we feel there’s [a] threat of a strike, in terms of the negotiations, which suppliers do those impact and then how do we set up contingency plans with those particular suppliers? (Firm1,scm2)

In the same firm, health and safety was covered when process control audits were undertaken by the supplier quality team (Firm1,scm3), while in Firm3,

Most of our suppliers are audited every year, OHSAS, you know, the occupational health safety regulations, all of that. So they would be bound just because they do business in this country, to have those in place. I don't know how much more you could ask of them, actually (Firm3,Hr1)

However, when asked whether their company required certain behaviour regarding workplace accidents, the same respondent answered, 'It's their responsibility'. In Firm4, they did not audit their suppliers, but were keen to avoid reputational risks:

HR for our supplier is nothing that we are actually interested in...So we do not audit them for HR. But obviously we are checking that our suppliers have a certain certification...It is also important for us that we know that our supplier will not close because he mistreats his staff, he will not close because his working conditions are horrible - also to cover our backside (Firm4,scm1).

Proposition 2: Limited auditing of first-tier suppliers' HR practices is aimed at sustaining production and managing risk

With regard to the monitoring of second-tier suppliers, most respondents, regardless of whether they were a supply chain manager, accountant or HR manager, did not seem to be aware of who their second-tier suppliers were, nor feel responsible for HR practices. For

example, when asked, ‘to what extent do your second-tier suppliers share any information with you?’ the reply from the supply chain director in Firm1 was,

Absolutely none. We don’t have a commercial relationship with the second-tier suppliers. We would get involved with a second-tier supplier if a tier one requested it...but as a guiding principle we focus on our tier ones (Firm1,scm1).

Further interviewees in the same company confirmed that they did not have any HR requirements for second-tier suppliers, nor for the third or fourth-tiers. In other companies, second-tier suppliers similarly did not share HR information with them (Firm5,acct1; Firm6,Hr1; Firm7,acct1). For example, the HR manager in Firm6 commented,

...honestly, the only way a supplier would impact us is if they go on strike and cannot supply a certain commodity, then it would become an issue (Firm6,Hr1).

The supply chain manager of the same company did not have any official communication with second-tier suppliers (Firm6,scm1). In Firm7, when asked if they were aware of their second-tier suppliers, the HR manager reported that ‘the logistics guy might be able to tell you that’ and when probed about whether they felt that they responsibility for the suppliers’ labour conditions, replied, ‘If we knew them, yes, and if we knew that they were practising things that were unethical, I’m sure...’

One of the reasons for the lack of attention to second-tier suppliers seemed to be because the parent company of the foreign owned subsidiary was held to be responsible. For example, the HR managers in Firm8 and Firm9 were not aware of who the second-tier suppliers were and did not consider that they had any responsibility for their labour standards.



In Firm3, the supply chain manager had some knowledge of the second-tier suppliers that first-tier suppliers had been instructed to use when they employed a certain form of technology, and ‘we are closer to those second-tier suppliers than others where we don’t prescribe’. More generally, companies seemed to consider that first-tier suppliers should, in turn, be monitoring their suppliers:

It’s up to the first-tier supplier to be communicating any risk...If we do know about the risk then we would set up frequent fire and make sure that plans have been put in place to minimise any risk on the first-tier (Firm1,mgr2).

The code of practice of the first-tier requires that they also then make a statement regarding their sub-suppliers (Firm3,scm1).

Whenever there is a spectre of a strike looming we obviously approach our first-tier supplier and ask them to also approach the second-tier supplier in regards of the union affiliation...let’s say worst case scenario what could you do if the strike hit you? (Firm4,scm1).

The reliance on first-tier suppliers therefore seemed to be a common trend, as noted elsewhere (see, for example, Sturgeon *et al.*, 2008). However, it was also apparently used to absolve producers of responsibility for HR practices further down the chain, or to circumvent regulations:

Our shortest short-term contract at the moment is basically a 12-month contract...So if we have something shorter we use through the supply base - as they see the

fluctuations, they will bring in people through what is termed a labour broker... We have a policy internally that we will not make use of them and that's agreed to again with our unions, but we do not have a policy on our supply base, as to their use (Firm1,scm2).

Proposition 3: Monitoring of second-tier suppliers is often deemed to be the responsibility of the parent company or the first-tier supplier, absolving firms from responsibility for this

#### *Ensuring supplier compliance with HR practices*

We asked various questions to try to find out if action had been taken when suppliers had not performed as well as they should do with regard to HR. When asked whether the working conditions of suppliers had informed their business decisions, the HR manager from Firm1, as well as various other managers replied that this had not been the case, including the HR manager and three supply chain managers from Firm1. However, one of the supply chain managers explained that they were 'clear in our terms and conditions of contractual obligations' regarding slave labour and 'all of the normal acceptable practice stuff', and that they would take action if, for example, they carried out a process audit of a supplier and there was strong evidence of unsafe working practices or child labour, in which case, 'we would definitely have to take a view on that'. Nevertheless,

when we take a business decision with a supplier, quality, service, technology, price, environment are the main considerations, obviously underwritten by a competitive business case. And then we also look at equity profile (Firm1,scm1).

In Firm5, first-tier suppliers were required to adhere to HR standards (Firm5,acct1; Firm5,CEO1). However, when probed, respondents were not able to explain any specific measures that had been taken to ensure that this was the case. In Firm6 and Firm7, concern with working conditions had not informed their business decisions (Firm6,scm1; Firm7,Hr1), and in Firm7 they only required suppliers to comply with requirements on child labour and forced labour. In Firm8, the HR manager revealed that reports were kept on labour standards issues such as child labour, forced labour and equity, but not on any other HR issues, while in Firm3, they required suppliers to conform to legal requirements, but did not ‘dictate’ how they should use HR practices (Firm3,scm1). In Firm9, the HR manager gave an example, however, of where the supplier’s HR practices had informed the selection process, and a more distant supplier had been used due to the higher skill levels of employees and lower levels of turnover and absenteeism. Moreover, they had tried to ensure that suppliers followed international labour standards and company codes of conduct through use of an HR assessment of areas such as HR policies and grievance.

Proposition 4: Concerns for compliance in relation to working conditions are mainly in relation to child labour, forced labour and equity

*Actors’ responsibility for monitoring suppliers and ensuring supplier compliance*

The responsibility for monitoring HR practices of suppliers seemed to variously fall to HR managers or supply chain managers, and sometimes to fall into the gap between them. In Firm7, when asked which members of staff had relationships with suppliers, the answer was ‘only purchasing... and then the ladies who deal with the accounts, who do the reconciliations’ (Firm7,acct1), whereas in Firm3, the supply chain manager explained that,

‘In many cases we actually ask the HR guys to deal directly with the supplier’s HR. We try and keep the operations and the HR quite separate if I can put it that way, so that the functional guys deal with the functional costs’. The lack of cross-departmental working runs contrary to the calls for partnership between those involved (such as supply chain managers, HR managers and trade union representatives) in order to deal effectively with HR practices of suppliers (Holman *et al.*, 2012). In terms of union involvement in monitoring, this seemed to be variable, but largely absent. Indeed, the union appeared to be given little information on HR data in general, in Firm1, only receiving information on redundancy and retrenchments and in Firm2 on HR costs, although in Firm6, they were given information on pay, redundancy, staffing levels, shift patterns, and hours of work. The trade union representatives also explained that information was not shared with suppliers’ unions, apart from when bargaining agreements were made, or according to the HR manager ‘when there are issues’. The lack of disclosure meant that unions may have had limited information on the HR practices of supplier organisations.

Proposition 5: Responsibility for ensuring compliance falls between HR, purchasing and supply chain managers, with minimal union involvement

#### *Factors influencing the monitoring of supplier HR practices*

Factors influencing the monitoring of suppliers included both firm and context specific factors. As argued in the GVC literature, the degree to which companies were able to influence suppliers was related to the degree of buyer power (Gereffi *et al.*, 2005). For example, Firm2 had many potential suppliers within the country for metal products but fewer options for other suppliers, meaning that, ‘there’s not much bargaining you can do. It’s either

take it or leave it' (Firm2,scm1). There were, moreover, costs associated with changing suppliers, leading firms to try to sustain relationships with existing suppliers if at all possible (Firm5,CEO1; Firm4,scm1).

The location of suppliers affected information flows. As one manager noted, it was possible, with local suppliers, to 'audit the supplier if need be, if a supplier is just not coming right (Firm4,scm1); if they were distant then it might be more difficult to keep track of what was going on: they were 'too far away' (Firm3,Hr1). Yet, the automotive industry in South Africa had changed over time, with less local suppliers:

The auto industry in South Africa is very small and fragmented, and only exists because of government incentives. Also, there is no depth of local supplier base, and a large proportion of the value is imported. There are very few suppliers of high value items locally (Firm5,acct1).

The attenuation of supply chains therefore impacted upon economic and social upgrading (Gereffi and Lee, 2016).

South African firms were also affected by competition with producers in other countries. Competition was most pronounced in labour intensive areas with a 'lowish' level of complexity but higher volumes of production (Firm1,mgr1; SAgov2). Further down the supply chain, easily substitutable suppliers faced increasingly hard bargains and competition from Asian suppliers:

[An OEM] will give you this framework of how they track, audit their supply chain, but most of their supply chain is in China...It creates challenges to actually really

audit and view the complete supply chain in terms of the extent to which labour practices are managed throughout (SAgov1).

With regard to local legislation, there seemed to be a tendency for companies to think that since legislation already covered a range of HR practices, it was not necessary for them to monitor local suppliers (within South Africa) (Firm1,Hr1; Firm5,acct1). The only time when managers in Firm1 were concerned was when suppliers' HR practices impacted performance, such as when the proportion of temporary workers led to high levels of absenteeism, which in turn led to 'quality problems'. In such cases, 'we might get involved with a supplier to discuss that. But ultimately it would be for the supplier to resolve it' (Firm1,scm1). In summary, the 'norm' in the automotive industry seemed to be a reliance on tier 1 suppliers or the parent company for selecting reliable second tier suppliers, and an assumption that the national government would ensure good labour conditions, leading them to feel absolved from responsibility further down the supply chain.

Proposition 6: External influences on the degree of monitoring of supplier HR practices include buyer power, locality and a reliance on national legislation

## **Discussion and Conclusions**

From reliance on a small closed domestic market, the South African plants of the automotive majors have had to compete for sales abroad, not only against rival brands, but also to secure production quotas when competing with plants of the same OEM elsewhere in the world. Firm behaviour has been influenced by new production regimes as well as trade policy and legislation (Mashilo, 2019), and they have continued to face real threats to their very

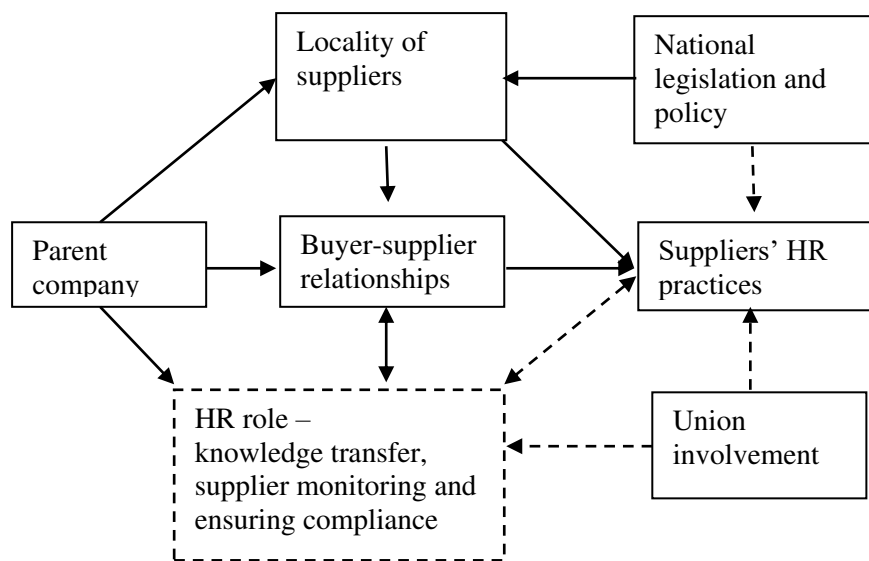
existence (Parker, 2022). Automotive firms have faced intense pressures to enhance quality and cut costs, leading to contradictory pressures in supplier relations: closer integration with key suppliers, but at the same time, outsourcing, short-term relations with more dispensable partners, and a growing reliance on suppliers far afield, about whom little is known. In the present study, it was shown that where relationships were localised it was expected that national regulation would ensure that suppliers conformed to labour standards, while those areas of HR which were monitored within local suppliers (such as employment equity, training and industrial conflict) had been areas of focus in South African firms since the early 2000s (Horwitz *et al.*, 2002).

To some extent, it could be argued that the lack of direct interest or interference by automotive companies in the HR practices of their suppliers (unless production quality or on-time deliveries declined due to working or HR practices) does not matter. Jobs within the automotive industry are known for being ‘good jobs’ compared to other industries, the industry is unionised, and one would not expect to find children or forced labour within the sector. However, relations and ties have become more tenuous with distance and there has been a deeper insertion into global production networks; it may not be possible to share the same common ground or shared language of communication with those in more distant locations, even within the same country.

Moreover, although there were close relationships, particularly between the OEMs and first-tier suppliers, and they were covered by the same legislation, suppliers were not always covered by the *same* Bargaining Councils or the same trade unions: many suppliers were covered by Bargaining Councils with less stringent regulatory requirements and lower wages, encouraging OEMs to shift significant areas of production to them. In other countries where there are lower levels of union density, collective bargaining and local enforcement, this trend might be even more problematic, particularly if unions take a parochial or

defensive stance, protecting their core workers, to the exclusion of others (Emmenegger *et al.*, 2012). Figure 1 outlines the model that emerged from our findings, which is then further discussed below.

Figure 1: Supplier HR practices, supply chain relationships and the HR role



The broken lines in Figure 1 show how roles and relationships can be problematised.

National legislation did not necessarily mean that suppliers had good HR practices; unions had limited influence; and HR did not consistently ensure the sharing of good HR practices nor the monitoring and compliance of suppliers. Therefore, their agency was limited, and they failed to fulfil their potential as mediators or reinforcers of existing relationships (Simmel, 2001).

In theoretical terms, this study adds an important contribution to the GVC literature on how buyers relate to suppliers and engage in economic and social upgrading (Gereffi and Lee, 2016) and how this upgrading relates to employment relations (Lakhani et al, 2013).



Although HR departments in dominant firms had minimal interest in third tier suppliers and lower down the supply chain, they still had to gather information on affirmative action practices from them, which in turn, may have encouraged more uniform progress to employment equity. Again, although strategic decisions by the automotive majors to outsource more production to first tier suppliers were not made at the level of the HR department, this had consequences for both the allocation of value and people management. On the one hand, such outsourcing was primarily about cost cutting. On the other hand, it changed the relative allocation of resources in favour of the first tiers, and affected the challenges facing HR managers in both sets of firms. HR managers in the automotive majors benefitted from a reduced workload, but experienced a worsening of relations with unions and the need to deal with 'survivor syndrome' among remaining staff; in the first tiers, it made for a more complex HR role, managing workers while acting in close concert with their counterparts in the majors.

This research indicates that there may be forces at work that simultaneously drive ever closer relations in GVCs in some areas, and more remote and arms-length relations in other areas. This is since GVCs are dynamic and contested domains. In terms of HR departments, although their influence may be limited and subject to redefinition according to changes in the law and practice, they cannot simply be dismissed as passive agents of external forces; through discourse, they retain the potential to impact on the internal workings of GVCs. For example, the way in which an HR manager interprets a supplier's labour dispute to her/his superiors might affect future inter-firm relations and the relative allocation of value and labour down the value chain. Again, the quality of relations between firms and their tier 1 suppliers can be affected by basic compatibility in HR systems.

Dominant parties do not always exercise their power in support of internal coherence of practice down supply chains, and may force specific standards among one set of suppliers,

and implicitly drive very different standards among others. With some suppliers, relations may be dense and wide ranging, and with others arms-length and almost purely transactional. Whilst dominant parties may have a single broad strategy, ultimately decision-making is driven by compromise, and the need to compensate for limitations, contradictions and costs in one area of the supply chain through compensatory actions in other. This would suggest that rather than being seen as closely knit and always functional, value chains embody a degree of incoherence and coping that can ultimately reinforce and cement final producer dominance: the latter is secured not only via control, but also, in some cases through cost cutting and neglect. As noted earlier, power is about both resources and discourse: limited discourse may reinforce existing imbalances or allow for greater autonomy. By the same measure, closer contact may impart greater uniformity, or make further outsourcing to lower tier suppliers more feasible. Although the primary influence of HR departments on GVCs may have been according to the nature and quality of their discourse with suppliers, as Arendt (2007) reminds us, discourse is central to the operation of power, and may amplify or diminish existing resource allocations.

Within this study, which focused on an emerging economy, we found close integration with first-tier suppliers, but the serving of mixed agendas: both quality and cost cutting. Although relationships were reasonably equitable (indeed, as noted above, OEMs were in some areas overly dependent on a single supplier), further down the supply chain, information flows became more tenuous, and contractual relations more contingent, exacerbated by greater recourse to low-cost producers far afield. Moreover, the imbalances in power existed in value chains both within and between organisations and these imbalances were closely interlinked. South African car plants found themselves in a tenuous position in global production networks, and this directly affected how they related to their suppliers, their relative interest in HR issues, the extent to which they monitored them, and what type of

HR practices they aimed to impose. Although it has been argued that using the same management control practices across the supply chain can result in control misalignment (Reusen and Stouthuysen, 2017), this is not necessarily the case, if they are complementary rather than undermining or opposing (Cruz et al, 2017).

The findings have practical relevance for HR managers, accountants and supply chain managers within firms operating in emerging economies. Firstly, it could be argued that there is a need for the monitoring of suppliers at various time points, in order to enhance quality and to avoid reputational challenges. Initially, HR practices need to be agreed at the pre-contract and contract negotiation phase (Holman *et al.*, 2012), and subsequently, independent auditing should be comprehensively carried out and necessary remedial actions undertaken. Secondly, there could be more clarity regarding who is responsible for checking the HR practices of suppliers. In this study, responsibility was spread among the various functions. Accountants seemed to rarely consider the HR costs of suppliers, and HR managers seemed to think that monitoring of suppliers' HR practices was the responsibility of purchasing or supply chain managers, and vice versa. Yet, as indicated above, careful consideration needs to be given to whether management control practices in one domain (for example, HR practices) relate to or are differentiated from management control practices from another domain (for example, Management Accounting control practices) when monitoring and controlling local and global supply chains (Mouritsen et al, 2022). Meanwhile, trade unions shared limited information within or between unions, but arguably should have sought to address the concerns of all workers, irrespective of bargaining council coverage (Webster and Buhlungu, 2004), driving toward forms of worker-driven supply chain governance (Reinecke and Donaghey, 2021). The key way forward for HR managers might include avoiding isolation from other functions (Truss, 2004; Kellner *et al.*, 2014), establishing new norms of behaviour through dissemination of professional standards, and collaborating more

effectively with trade unions. Moreover, with squeezed labour costs increasingly becoming the norm (Mashilo and Webster, 2021), the imposition of working conditions on suppliers but may be essential in order to avoid labour risk (Walter and James, 2011; Yeung and Coe, 2015), particularly when outsourcing to distant countries. Firms within South Africa, as elsewhere, may have become used to an assumption of supplier compliance with national legislation and the achievement of cost-effectiveness through a high skill paradigm. However, they need to be aware that further down the supply chain, national legislation may be weaker and labour regimes may be more repressive in order to ensure that profits are made.

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