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Exploring the Decoupling of Sustainability Practices by Outsourced Partners in Multinational Enterprises' Supply Chains

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ABSTRACT

The primary objective of this research is to explore why outsourced partners decouple from the standard sustainability principles of MNEs with neo-institutional theory as the theoretical lens. This study identifies the strategies that MNEs implement to ensure sustainability and the impact of outsourcing on sustainability.

This study adopts a qualitative methodology based on an interpretivist paradigm and the case study approach is used. For the data collection process, in-depth interviews have been used followed by a semi-structured interview guide. A sample size of six individuals from MNEs in diverse industries has been used, and the data collection has been terminated when data saturation is reached. The data analysis of this research is done according to the thematic analysis.

The findings of the research reveal that outsourcing leads to decoupling. The main reason is organisations have no direct control over outsourced partners. Also, outsourced partners prioritize cost reduction and avoid complexity in maintaining sustainability. The implications of this research enhance the intersection between outsourcing and sustainability. The findings offer practical implications for MNEs, helping them to mitigate risks and achieve comprehensive profit-planet-people sustainability across their global operations.

Keywords: Decoupling, Multinational Enterprises, Outsourcing, Sustainability

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INTRODUCTION

In the contemporary International Business (IB) domain, more emphasis is now given to the study of activities within the supply chain rather than only focusing on internal operations (Narula, 2019; Preuss et al., 2024). Now it has become an expectation for most Multinational Enterprises (MNEs) to equally address the issues of sustainability within their supply chain while balancing internal operations (George et al., 2024; Preuss et al., 2024).

Typically, most MNEs kept the control of internal operations within themselves and also retained the control of foreign assets also when expanding internationally or when entering into strategic alliances. This has been clearly depicted by the Internalization theory in International Business. (Rugman & Verbeke, 2008). However, in the contemporary business world, it has become a key competitive advantage for businesses to mobilize complex networks in doing business operations internationally (Asmussen et al., 2022; Preuss et al., 2024).

From a sustainability perspective, it is spotted that for most companies, their overall social and environmental impact is determined largely by their suppliers over internal operations (Miemczyk et al., 2012; Preuss et al., 2024) which confirms that the goal of pursuing sustainability is not a one-firm responsibility, but a collective responsibility across the supply chain (Li et al., 2014). However, limited research explains why outsourced partners diverge from MNE sustainability standards, a gap this study addresses

Business firms have realized that it is no longer easy for them to gain and maintain a competitive advantage in the international market on their own due to the increasing sophisticated competitive pressures (Li et al., 2014). Therefore, firms have moved onto outsourcing which is a smart technique for leveraging global business resources to gain a competitive advantage over in-sourcing. Thus, firms focus only on the limited resources and operations in-house which they can utilize fruitfully and outsource non-core of the business to outsourced business partners (i.e., suppliers) (Kannan & Tan, 2002; Lankford & Parsa, 1999; Li et al., 2014).

But managing sustainability beyond organisation borders has become difficult for most MNEs owing to sustainability issues that arise in the supply chain (Kano et al., 2020; Preuss et al., 2024), especially with outsourced partners. Multiple issues in sustainability have now become ‘grand challenges’ as described by George et al. (2024), in terms of both the impact generated and the efforts needed to address them (Preuss et al., 2024).

Narula (2019); Preuss et al. (2024) have mentioned that MNEs rarely involved directly in the activities of outsourced partners in the global supply chain. They most of the time instruct and coordinate with such parties indirectly. However, there can be significant sustainability issues that propagate within the tiers in the supply chain which the organisation cannot influence or control such. Therefore, organisations tend to monitor only their immediate supply chain partner assuming that all tiers would adhere to and follow the standard practices. (Preuss et al., 2024; Wilhelm & Villena, 2021). Hence sustainability is not accurately assured within the supply chain of an MNE.

This study adopts a qualitative case study approach focusing on MNEs operating across diverse global supply chains, with an emphasis on industries where outsourcing is prevalent. The scope is limited to examining sustainability practices between focal MNEs and their outsourced partners.

Problem Statement

Currently, the contemporary business world is at a stage in time where conventional means of conducting business are not sufficient (Garri, 2022). Organisations are evolving to address complex issues while guaranteeing financial, social, and environmental sustainability (Lawler & Conger, 2015; Garri, 2022). As explained by Preuss et al. (2024) and Li et al. (2014), MNEs need to prioritize sustainability due to increasing pressure to cope with global competition. Firms tend to outsource supply chain activities and focus on core business activity to gain competitive advantage to play well in the international market (Kannan & Tan, 2002; Lankford & Parsa, 1999; Li et al., 2014). Wilhelm and Villena (2021) has highlighted, owing to supply chain complexities, companies cannot effectively monitor the assurance of sustainability across the supply chain. Therefore, sustainability being ensured or not, companies drive forward with that assumption and sometimes lead to greenwashing (Robinson, 2024) as well.

Villena and Gioia (2020) has highlighted certain statistical evidence that reveals how several leading companies in the consumer electronics and computer hardware industries have collaborated with global suppliers that left employees to work in hazardous work conditions. Additionally, a supplier of a well-known footwear manufacturer has discharged pollutants into rivers in China as documented by Villena and Gioia (2020). Notably, all these issues were involved with first-tier suppliers, while lower-tier suppliers could have even weaker practices. This has exposed businesses to significant financial, social, and environmental risks. For example, a random sample of five lower-tier suppliers in Mexico has been selected and got revealed that none had environmental management systems in place, and four lacked mechanisms to address critical society-related issues, including sexual harassment, retaliatory behaviour by supervisors, and unsafe working conditions (Villena & Gioia, 2020). If MNEs do not identify such practices within their supply chains, they may continue portraying themselves as sustainable entities to the public. Therefore, it is essential to investigate why outsourced partners diverge from the original sustainability standards set by MNEs. This research will shed light on identifying different strategies an MNE would put in place to ensure sustainability while looking into the impact that outsourcing has created on the sustainability code of conduct for MNEs. Also, this study examines why the original sustainability principles of MNEs are not followed by outsourced partners.

Research Questions

1. How does outsourcing supply chain partners impact the sustainability practices of MNEs?
2. Why do some outsourced partners of MNEs tend to decouple from the sustainability principles of the focal MNE?

LITERATURE REVIEW

Sustainability and Supply Chains

Sustainability has been defined as the "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development [WCED], 1987, p.43). Numerous perspectives of sustainability are suggested. Some argue that it means maintaining productive output to meet the inflating wants; maintaining a desirable quality of life in future; ensuring ecological balance is maintained (Li et al., 2014). Biddle (2011) has taken a comprehensive view of sustainability, encompassed all the aforementioned perspectives, and argued that sustainability entails interacting with the environment in a way which does not harm future generations. This perspective also aligns with the triple bottom line approach, which views environmental, economic, and social performance, providing a framework to make sustainability lively (Li et al., 2014; Seuring & Müller, 2008).

It sums up that firms should prioritize long-term economic performance over short-term activity that is socially detrimental or environmentally hazardous (Porter & Kramer, 2006). Christ et al. (2017); Garri (2022) concludes that sustainability itself has become a strategy to achieve competitive advantage.

Sustainability is equally essential, if not more important, for organisations such as MNEs who use outsourcing as a strategic tool to build capabilities (Li et al., 2014). As per the highlights of George et al. (2024), maintaining a healthy supply chain is essential for MNEs to cope with inflating trends in the business environment locally and globally. Hollos et al. (2012) also report that firms pursuing sustainability gain competitive advantages. Lubin and Esty (2010) have shown that even the survival of a firm would depend on the way the managers foresee sustainability conduct. Carter and Rogers (2008) have viewed a sustainable supply chain where triple bottom goals are inculcated to all organisational processes to improve long-term economic performance. According to Seuring and Müller (2008), sustainable supply chain management is managing material, information, and capital flows, along with cooperation among companies, considering economic, environmental, and social goals. Both views share a common focus on attaining goals across the three dimensions: people, planet and profit. To implement sustainable practices in organisations such as MNEs, 'win-win-win' strategies are required that benefit the company, customers and the environment (Elkington, 1994; Li et al., 2014).

Sustainability practices in supply chains have multiple initiatives designed to reduce environmental impacts and enhance social responsibility. These include sustainable sourcing, waste minimization, energy efficiency, and adherence to ethical labour standards (Hart & Milstein, 2003). Due to the rising consumer and stakeholder demands for corporate social responsibility, incorporating sustainability into the supply chain is recognized as a source of competitive advantage (Henriques & Sadorsky, 1999). However, many firms encounter significant obstacles in implementing these practices across their supply chains. The complex nature of global supply chains and different regulatory frameworks often impede the consistent application of sustainability standards (Montiel et al., 2021). This complexity often leads to the decoupling of sustainability practices, where organisations publicly show they are sustainable entities but not in real. While several studies propose governance mechanisms such as audits and supplier development programmes to address this challenge, evidence on their long-term effectiveness is mixed, especially in diverse institutional contexts.

In the past, firms selected strategic suppliers based on economic factors such as quality, price, and delivery lead-times. However, to achieve sustainability, now it requires evaluating suppliers using the triple bottom line, encompassing environmental, social, and economic performance (Amindoust et al., 2012; Lee et al., 2009; Li et al., 2014). MNEs have addressed sustainability challenges in supply chains through contractual mechanisms, such as written agreements to manage engagement and mitigate risks (Bird & Soundararajan, 2020; Soundararajan et al., 2021). In emerging markets, weak enforcement and poor infrastructure hinder trust in suppliers, prompting MNEs to conduct social audits to monitor sustainability practices (Javorcik & Wei, 2009; Locke et al., 2009; Soundararajan et al., 2021; Witt et al., 2017). To implement effective sustainability governance, adaptive and collaborative supply chains are essential, enabling partners to co-develop sustainable solutions (Huq et al., 2014; Mena & Palazzo, 2012; Soundararajan et al., 2021). Organisations should integrate environmental objectives into their long-term strategies, evaluate suppliers' environmental performance, and incentivise improvements through rankings and environmental management systems. Retaining high-performing suppliers ensures a sustainable supply base (Bowen et al., 2001; Li et al., 2014; Min & Galle, 1997).

Increased material costs, complexity in coordination, and lack of communication have become challenges that MNEs face when implementing sustainability practices in their supply chains (Min & Galle, 1997). Transparent communication, monitoring, and corporate policy integration (Seuring & Müller, 2008; Li et al., 2014) can promote collaboration and commitment to sustainability standards (Kannan & Tan, 2002; Li et al., 2014). According to Li et al. (2014), building long term stable relationships with suppliers is healthy for MNEs over changing suppliers frequently. Having an effective set of stable suppliers positively correlated with organisational performance (Paulraj, 2011; Tracey & Tan, 2001; Vonderembse & Tracey, 1999; Li et al., 2014).

Institutional theory

Institutional theory can be considered a diverse theory emerging from various academic disciplines in the social sciences and it is always in constant evolution. For instance, the discipline of sociology associates the institutional theory firstly with the old institutionalism which highlights the rational nature of universally accepted rules that make organisations institutions (Selznick, 1957), secondly, the neo-institutional theory has identified several pillars that hold institutions, namely regulative, cognitive and normative pillars (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Thirdly, sociology identifies the institutional work strand of the institutional theory which elaborates on the importance of practices that maintain, create, and disrupt institutions (Lawrence & Suddaby, 2006; Oliver, 1991). The fourth strand of the institutional theory under sociology would be institutional logic such as the family, state, market, and religion which affects the way institutions are governed (Friedland & Alfred, 1991; Thronton & Ocasio, 2012). Moreover, other disciplines such as institutional economics also identify two strands of the institutional theory such as new institutional economics (North, 1990) and institutional analysis (Ostrom, 2010). Next, political science also identifies historical institutionalism (Peng, 2008), comparative capitalism (Hall & Soskice, 2001), and rational choice (Moe, 1984) to be strands of institutional theory.

In the International Business domain, Aguilera and Grogaard (2019) highlight that there are numerous strands of institutional theory. That can be a possibility because international businesses and MNEs are operating in multiple host countries for which they can have different institutional contexts (Marano & Kostova, 2016). When viewing from neo-institutional theory perspective, MNEs and other supply chain partners need to be isomorphic to achieve legitimacy in host country stakeholders (DiMaggio & Powell, 1983; Martinez-Ferrero & Garcia-Sanchez, 2016; Weerasekera, 2024). DiMaggio and Powell (1983) have viewed isomorphism as achieving a similar status as compared with competing organisations in the industry. Thereby, an organisation shall face three institutional pressures to achieve isomorphism and thereby gain their legitimacy. Firstly, coercive isomorphism; this can be achieved by complying with the rules and regulations of the host country, secondly; normative isomorphism, which requires the organisation to comply with the moral and cultural values of the host environment (Beddewela & Fairbrass, 2015) and thirdly; mimetic isomorphism, which encourages MNEs to imitate competitors operating in the host country.

MNEs employ various strategies to ensure legitimacy, including corporate social responsibility (CSR), employee training, and sustainability initiatives (Weerasekera, 2024). The effectiveness of sustainability initiatives in achieving legitimacy is usually shaped by robust institutional factors (Boiral & Gendron, 2011; Kolk & Perego, 2010). Li et al. (2018) has mentioned that MNEs' sustainable and CSR practices significantly influence their long-term performance, the survival in host countries, and the relationships with host country governments and other stakeholders. However, outsourcing non-core operations to external suppliers brings in challenges in effectively implementing sustainability practices (Murcia et al., 2021).

Outsourcing involves delegating non-core activities to specialized third-party external entities (Gilley & Rasheed, 2000) and offers many advantages for global firms, serving as an alternative to vertical integration (Contractor et al., 2010; Murcia et al., 2021). Apart from these benefits, when an MNE enforces sustainability standards, its outsourcing partners might fail to comply, leading to coordination issues between the concerned MNE and its partners (Murcia et al., 2021). This study seeks to examine the extent to which MNEs' outsourcing partners align with the focal firm's sustainability practices through the lens of neo-institutional theory.

Outsourcing in supply chain and decoupling of sustainability practices

Outsourcing is generally identified as the process of delegating non-core business functions to third-party providers. In the supply chain context, it can take various forms such as subcontracting, nearshoring, offshoring, and offshore outsourcing. Organisations are mostly willing to reduce costs (Kedia & Mukherjee, 2009) through outsourcing. McIvor and Bals (2021) have mentioned that the decision to outsource depends on financial factors such as costs and market dynamics. Outsourcing can increase the operational performance and create a competitive edge for the organisation over others (Gualandris et al., 2014). But it also has concerns related to the negative impact that is created with outsourcing. Li and Zhou (2017) highlights that there can be regions that do not put much emphasis on environmental protection and sustainability and firms of such regions may unknowingly contribute to environmental degradation.

Decoupling means not aligning with a standard set of practices and being deviated. It mainly occurs when relying on third party suppliers which have no sense of focal firms' sustainability standards and when the concerned organisation does not integrate the overall sustainability standards within their supply chain. As highlighted by Kim and Davis (2016), MNEs find it difficult to maintain socio-environmental visibility over sustainability practices within their supply chain since they do not have a direct control over suppliers and supplier tiers and in some emerging markets, regulatory frameworks related to sustainability are weak. This suggests that structural and contextual factors, rather than intentions alone, often determine whether sustainability commitments are upheld in practice. Hence, outsourcing can lead to decoupling, as partners may prioritize cost savings over sustainability, resulting in a lack of accountability for socio-environmental impacts (Mair & Marti, 2009).

Summary and Research Gap

Existing literature on sustainability in supply chains has focused either the internal governance of MNEs or the mechanisms for managing first-tier suppliers (Wilhelm et al., 2016; Villena & Gioia, 2020). But why outsourced partners in lower tiers diverge from MNE sustainability standards has been under-researched (Soundararajan et al., 2021). Moreover, prior research often focuses on compliance tools rather than exploring the institutional and relational factors that shape such divergence (Kano et al., 2020; Preuss et al., 2024). This study addresses this gap by examining sustainability decoupling in outsourced supply chain relationships through the lens of neo-institutional theory.

RESEARCH METHODS

This research adopts a qualitative methodology aligning with prior studies that have researched on Multinational Enterprises' outsourcing and sustainability within their supply chains (Preuss et al., 2024; Li et al., 2014; Marano et al., 2024). An interpretivist paradigm has been adopted by the researchers to gain a comprehensive understanding of sustainability practices in the supply chain of the concerned MNE with related to outsourced partners. The case study method has been employed as the research strategy to facilitate an in-depth examination and analysis of rich qualitative data that have been collected (Yin, 2009). This approach has enabled the researchers to identify and understand the challenges faced by MNEs in maintaining sustainability standards within their supply chains. Data collection has been conducted using in-depth interviews and was guided by a semi-structured interview guide. The data collection was terminated based on the level of saturation, with a sample size of 6 individuals. The target interviewees of the research were managers and executives of Multinational enterprises who have an exposure to supply chain and sustainability-related areas, or outsourcing. Finally, the collected data were analyzed using thematic analysis as outlined by Braun and Clarke (2006). This process involved several steps: familiarizing with the data, generating initial codes (open codes), searching for themes, reviewing and refining themes, defining and naming themes, and ultimately producing a comprehensive report.

FINDINGS AND DISCUSSION

Data Analysis

The Table 1 below summarizes the details of the interviewees.

Table 1**:** Interviewee details

#	Interviewee Identification	Type of the organization	Designation of interviewee
1	P-01	FMCG – Unilever	Assistant Manager
2	P-02	Wood coating and paint	Executive
3	P-03	Fabric business	Executive
4	P-04	Glows manufacturing	Junior Executive
5	P-05	IT based	Specialist
6	P-06	Fast food	Manager

Source**:** Developed by author

Table 2 and Table 2 below show how the analysis of data has been conducted. Open codes have been generated from literature and from interview transcripts and then narrowed down to categories or axial codes and finally the themes have been generated. The two coding tables shown below have been used to generate themes for research question 1 and research question 2.

Table 2*:* Coding table for research question 1

(Research Question 1 – “How does outsourcing supply chain partners impact the sustainability practices of MNEs?”)

Open codes	**Axial codes**	**Themes**
Increase operational efficiency	Benefits of specialization through outsourcing	Outsourcing sustainability reveals a duality which brings positive and negative impacts for MNEs
Organisation can focus on core competencies due to outsourcing		
Regular checklists and monitoring mechanisms ensure sustainability	Proactive mechanisms to uphold sustainability standards and regular evaluation and audits mitigate risks in outsourcing	
Sustainability assessment schemes are cross-checked and confirmed		
It's a complex process	Outsourcing is a complex and challenging process and is difficult to maintain consistency.	
Challenge to maintain sustainability		
Challenge to maintain consistent sustainability		
Cost pressures are a major factor leading to decoupling	Maintaining sustainability involves additional resources and compliances	
Legal compliance for sustainability varies by region		
Sustainability standards differ across regions and cultures		
Partners are reluctant to incur additional costs for sustainability		
Sustainability monitoring is resource-intensive		

Source: Developed by author

Table 2*:* Coding table for research question 2

(Research Question 2 – "Why do some outsourced partners of MNEs tend to decouple from the sustainability principles of the focal MNE?")

Open codes	**Axial codes**	**Themes**
Cost pressures have become a barrier	Cost pressures	Financial constraints and cost pressures are critical factors hindering the consistent implementation of sustainability practices in outsourcing.
Some partners don't bear additional costs for sustainability		
Small-scale partners are not willing to invest in sustainability	Financial constraints	
Sustainability initiatives are not prioritized due to financial pressures		
Legal compliance for sustainability adds costs		

Source*:* Developed by author

FINDINGS

According to the interview findings, all participants have confirmed that they outsource different activities which are mainly non-value adding or non-core activities to the organization. Almost all organisations have their own set of sustainability policies and procedures that are developed by aligning with the overall business strategy and the vision of such organizations. Most companies follow ethical labour practices and try to adhere to environmental regulations to reduce the environmental impact that can occur from their business operations. Companies also try to make their supply chain partners aligned with the supply chain policies of the organisations. P-05 and P-06 have specifically mentioned about how their organisations ensure environmentally responsible procurement and sourcing while adhering to local and international labour laws across the supply chain.

As per P-01, a separate set of internal employees is assigned to monitor sustainability aspects regarding outsourced partners. They also have regular checklists which confirm that sustainability standards are upheld by partners. P-02 has described how they use supplier evaluation forms to ensure sustainability, and the same idea was held by P-04 and P-05. Some organisations use sustainability assessment schemes which should be fulfilled by the partner and cross-checked and confirmed by the internal sustainability team. Also, organisations does regular audits to see if the partners are on track to organisation policies.

Participants also highlighted the few challenges they face when trying to maintain sustainability standards. For some organisations, the follow up is difficult with partners that come from diverse cultures and almost all participants highlighted that ensuring consistency with regard to sustainability with outsourced partners is difficult to be done. Also maintaining a uniform sustainability standard across different regions too seems to be challenging since the interest and value to sustainability given by different regions is varied. To address these challenges, most organisations meet one person who is responsible for sustainability in the partner organisation and discuss. During this meeting, all checklist regarding sustainability is evaluated. Some organisations use sustainability growth compasses to get rid of challenges to sustainability adherence.

During the interviews almost all participants have highlighted that 'cost' has become a driving force for all outsourced partners to decouple from original sustainability practices. It is said that an additional cost is needed to maintain sustainability and most partners are reluctant to spend that cost just to maintain sustainability standards. This is mostly revealed by small-scale businesses but not large entities. Also, participants mentioned that partners find it easy to conduct their business activities when they don't adhere to sustainability principles. Because it has less legal compliances. The complexity of maintaining sustainability was also concerned, that lifted to decoupling. Some organisations find it difficult to balance sustainability with financial pressures. Additionally, few participants highlighted that based on regions also, sustainability change which means the weight given by the region or country for their local businesses to maintain sustainability differs. Owing to such reasons also, the conduct of sustainability has changed.

These findings are based on the personal experiences of participants and organisational perspectives rather than objective performance data. Additionally, the results should not be generalised without considering the context in concern.

Discussion of findings

The discussion of the study is based upon two main themes and the theoretical support from the Institutional Theory.

Theme 1 - Impact of outsourcing on sustainability

The findings have shown that outsourcing the non-value adding activities can bring both favourable and unfavourable impacts on sustainability practices of organisations. On one arm, outsourcing helps organisations to improve the operational efficiency by leveraging specialized expertise. P-01 noted,

"Outsourcing enables us to focus on our core competencies while relying on partners for specialized tasks".

This quote clearly confirms that, and the existing literature too supports that outsourcing can enhance operational efficiency (McIvor & Bals, 2021). However, outsourcing is a complex process, and it can hinder sustainability efforts of organisations as highlighted by most interviewees. For instance, P-02 denoted that

"…it's challenging to maintain consistent sustainability practices when working with diverse partners."

This quote confirms that outsourcing can be also challenging to organisations under certain circumstances. Montiel et. al. (2021), has mentioned about the challenges in monitoring compliance among varied cultural and regulatory environments. P-04 has also mentioned that,

"One of the main challenges is ensuring consistent adherence to our sustainability standards in diverse partners and regions".

Moreover, the P-05 has highlighted about the importance of proper monitoring mechanisms across the supply chain.

"We conduct regular audits and use supplier evaluation forms to ensure our partners meet our sustainability standards"

That shows a proactive approach that is put up by organisations for mitigating the risks of outsourcing and ensure sustainability practices are maintained. As explained by DiMaggio and Powell (1983), when organisations undergo pressures of legitimacy and compliance within institutional environments, they usually adopt formal practices such as regular audits and evaluations to align with standards. P-05 has mentioned

"…we conduct regular audits of our suppliers to ensure they are meeting our sustainability standards".

It also aligns with the findings from Gauthier (2013) which explains the need of integrating environmental responsibility into supply chain practices. Institutional theory also lays a theoretical lens in explaining such behavious.

In conclusion, the impact of outsourcing on sustainability is multifaceted. On the positive arm, it brings operational efficiency to organisations since they can focus more on their core competencies. On the negative arm, it brings complexities in managing consistent sustainability practices across cross-cultural partners and regions. This duality makes it compulsory for organisations to have thorough monitoring across their supply chain to ensure company standards are met. However, it should be also noted that though the findings are consistent with previous research, outsourced partners may employ sustainability measures that are not accessible to contracting MNE but cited in literature due to information asymmetry.

Theme 2 – Decoupling of sustainability practices

The existing literature and the interview findings have brought up to the theme decoupling of sustainability practices. Many interviewees have pointed out that 'cost' is a constraint that hinders the capacity of outsourced partners to adherence to sustainability. As P-06 articulated,

"Cost has become a driving force for many of our outsourced partners to step away from original sustainability practices."

The findings from the study conducted by Li and Zhou (2017) also highlight how financial constraints can undercut sustainable initiatives. The interview findings also reveal that businesses with a lesser power tends to easily decouple from sustainability principles. P-04 noted

"…normally small businesses operate without following sustainability because it's easy for them…. Less compliance…"

This view creates a doubt of equity in sustainable practices where larger firms that have more resources can easily ensure sustainability while smaller firms find it difficult mainly due to resource constraints. Furthermore, some participants have discussed about the different attitudes that regions have towards sustainability which again deviates outsourced partners to adhere to standards. P-03 mentioned,

"The weight given to sustainability varies significantly by region; some areas prioritize it more than others."

This finding brings up a challenge for many organisations operating in multiple cultures and regions to balance local expectations and partner expectations. Sometimes local expectation towards sustainability could be less than partner standard. The concept of decoupling is very well explained in institutional theory literature, where organisations can adopt different formal policies for legitimacy, but they don't effectively practice them (Meyer & Rowan, 1977). This can be seen in outsourcing activities where organisations follow outsourcing blindly just to comply with business contracts (Soundararajan et al., 2021).

In conclusion, cost and financial constraints significantly hinder sustainability practices across the supply chain and is mostly seen in businesses that lack required resources to compliance. Most businesses also decouple since it's easy to not comply and run the business owing to less complexities. Additionally, regional disparities and attitude towards sustainability by regions also complicate the process. However, cost constraints and regional variations may not always lead to intentional decoupling. In some cases, partners may adapt sustainability practices to local contexts in ways that still meet core objectives but diverge from the MNE's formal standards. This highlights the need to distinguish between non-compliance and contextual adaptation.

Overall, these factors underscore the urgency for organisations to address the challenges of decoupling in order to ensure genuine commitment to sustainability across their supply chains.

Implications of the study

When discussing theoretical implications, this research has made specific identification and an advancement to the existing body of knowledge with regard to studies that have already focused on ability of Multinational enterprises to manage sustainability challenges across its supply chain (Preuss et al., 2024). It also extends the study conducted by Li et al. (2014) regarding the role of sustainability orientation in outsourcing with practices and outcomes. The study conducted by Garri (2022) is also related to this study which emphasizes the sustainability strategies of MNEs in emerging and developing markets which is also an extension of this study. The above studies can be cited as extensions of the current study since the current study too focuses on MNEs and their outsourcing activities and strategies to manage the sustainability across the supply chain.

It can be identified managerial implications through this research which provides valuable insights for managers of MNEs for their decision making. This research explores the reasons that contribute for decoupling of sustainability practices by outsourced partners of MNEs. By understanding such reasons, managers can proactively address challenges that pop up across the supply chain with regard to maintaining sustainability standards. The research also shall suggest different strategies that can be used to maintain sustainability across the supply chain. By incorporating those strategies, managers can make sure that sustainability standards are upheld by all partners in the supply chain irrespective of their size or location. Managers should also remain aware of potential reporting biases and blind spots in their monitoring systems, ensuring that decisions are informed by both internal audits and independent verification where possible.

CONCLUSION, LIMITATIONS & FUTURE RESEARCH DIRECTIONS

Conclusion and Recommendations

In conclusion, the impact of outsourcing on sustainability is multifaceted. Accordingly, it was found that that there are both positive and negative aspects on sustainable initiatives implemented by supply chain partners. Further, it was revealed that cost is a driving factor which leads to decoupling of sustainable initiatives by supply chain partners. It is recommended that organisations should implement stringent evaluation frameworks for selecting partners by emphasizing sustainability criteria and conduct regular audits. Fostering collaboration with outsourced partners through training and incentive programmes shall ensure alignment with sustainability objectives.

Limitations and future research directions

This research also has its own limitations. It is a fact that this study is a conceptual study which is theoretical. Therefore, there is a need for further exploration using empirical data and to find rich insights into what the actual reasons are for outsourced partners to decouple from sustainability principles of MNE. The participants of the current study, or the potential interviewees shall be managers or executive level employees who are working in a supply chain, outsourcing or sustainability related background in Multinational enterprises. Most data collection shall be done by Sri Lankan employees which restricts it to get insights from foreign employees who are working in other branches of the same MNE. Also, the current study only analyzes data that has been collected only from Multinational enterprises. For better analysis, data can be collected from outsourced partners also which will help to find out actual reasons for decoupling. Therefore, future researchers can focus on collecting data from both MNEs and outsourced partners and even the value adding parties across the supply chain. The views of such parties can bring out controversial viewpoints which can be different from the inputs of MNE officials.

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