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Impact of Social Compliance on Conflict Management in the Readymade Garment Industry

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ABSTRACT

In the global ready-made garment (RMG) market, there is intense competition. To combat ethical issues in the supply chain, vendors have created compliance regulatory standards. Suppliers must also monitor, enforce, and disclose compliance. Therefore, the global garment industry exerted pressure on suppliers from developing countries to implement a code of conduct (CoC) that emphasized social responsibility. The apparel industry has discovered that this Code of Conduct is a valuable instrument for monitoring the compliance activities of its suppliers. Compliance is essential to the prosperity of any RMG organization, according to studies. Studies indicate, however, that it fails in the apparel industry because purchasers may exert pressure on suppliers to prioritize cost savings over noncompliance. Also, demand places suppliers under unnecessary pressure. It cannot, therefore, be used in the fashion industry. Consequently, both positive and negative compliance studies inspired this study. This research is based on contingency theory. The findings of this study illuminate the significance of the connection between social compliance and labor instability in Bangladesh's RMG industry. This study also proposes that Bangladeshi textile companies should have normally utilized lean manufacturing techniques to increase output in accordance with new regulations, despite social compliance challenges. The data in this quantitative investigation were analyzed using Statistical Package for the Social Sciences (SPSS) and Partial Least Squares Structural Equation Modeling (PLS-SEM). Simple random sampling was used to acquire data from 384 employees using survey techniques.

Keywords: Code of conduct, Social compliance, Descriptive statistics, and Structural equation modeling.

INTRODUCTION:

Businesses must implement and enhance a higher level of security across all operations in order to improve product quality to ensure compliance (Brandes, 2021). According to the Jaiswal and Ha-Brookshire, (2020), multinational corporations have established regulatory

compliance processes to address social issues in the supply chain. A code of conduct (CoC) describes this set of principles. CoC in the ready-made garment (RMG) industry is a set of voluntary operating guidelines for enterprises. It may be utilized by the apparel industry to monitor their suppliers' compliance with

regulations (Egels-Zanden and Lindholm, 2015). Locally and internationally, the RMG industry is becoming more competitive (Hamja *et al.*, 2019). Another study by Hoque *et al.* (2020) demonstrates the necessity of instituting lean in order to satisfy consumer demands for reduced prices, shortened lead times, and improved occupational health services (OHS). Bangladeshi textile manufacturers have implemented cutting-edge production methods such as lean to increase productivity and keep up with ever-changing regulations (Hamja *et al.*, 2019).

According to research on the Bangladeshi ready-made garment industry, social compliance issues have not been adequately addressed (Hasan, 2018). In addition, Rahman *et al.* (2023) highlighted the importance of social compliance, improved communication, dispute resolution, ethical workplace practices, and employee trust in the RMG industry in Bangladesh. Alam *et al.* (2018) investigated the effect of social compliance variables on the productivity of Bangladeshi RMG employees. Mahboob and Anita, (2016) examined workers' rights, compensation, health and safety, and other issues using the Bangladesh Labor Law (Amendment-2013). Research demonstrates that noncompliance is a significant problem in Bangladesh's RMG industry (Raian *et al.*, 2022; Alam *et al.*, 2018; Hasan, 2018). Bangladesh is an ideal location for such research because the garment industry there can use lean to satisfy customers' requirements for efficiency and compliance (Raian *et al.*, 2022; Hoque *et al.*, 2020; Rahman *et al.*, 2023).

Research Question

The following question is to achieve the objective of this investigation:

RQ.1. In Bangladesh's RMG industry, is there a connection between social compliance and conflict management?

Objective of the Study

The specific objective of this study is

1. To investigate the correlation how factor like social compliance influence on conflict management in the RMG sector.

Review of Literature and Hypothesis Development

Hasan, (2018) found that social climate and dispute resolution has a significant relationship. However,

RMG competitiveness has increased globally and locally in Bangladesh (Khan *et al.*, 2018). Bangladeshi garment firms use lean manufacturing to increase efficiency and comply with laws (Hamja *et al.*, 2019). Thus, Bangladesh is a good place to examine the garment business and how lean may meet customers' efficiency and OHS standards. These tactics may improve customer connections (Haque *et al.*, 2020). Mohammad, (2017) claims that noncompliance with byproduct restrictions such trash or JHUT (clothing scraps) contributes to worker unhappiness. Accountable governance may conflict with lawbreaking while legal and regulatory compliance helps governance (Luvhengo, 2012). According to Bangladeshi ready-made garments: a study on social compliance (Hasan, 2018), the social compliance issues have not been addressed despite the sector's economic success. This study examined if social conformity might reduce workplace conflicts in Bangladesh's garment sector. These instances have harmed the RMG industry's reputation, even though many businesses meet international requirements (Hasan, 2018). Jaiswal and Ha-Brookshire, (2020) examined MNEs' support for CoC techniques and suppliers' incentive to recruit MNEs using observational, evaluative, and explanatory methodologies to assure CoC consistency. Power imbalance may be beneficial in managing manufacturing process integration, the identifying common goals, sustaining relationships, and resolving conflicts, according to study. The findings suggest a link between CoC compliance tactics and conflicting situations. Another research explores the feasibility of using "lean" in garment suppliers' factories to improve efficiency and compliance (Hoque & Maalouf, 2020). This study illustrates how lean technology and OHS features may assist suppliers meet customer demands for cheaper pricing, shorter lead times, and increased compliance. This study suggests that lean implementation may be better than switching to new suppliers with unknown productivity, delivery, and OHS difficulties. Another study suggested that social compliance and labor instability in Bangladesh's RMG industry were also correlated (Alam *et al.*, 2018). This study also revealed that job motivation wheels social compliance and productivity. Results of this study also indicated that staff homogeneity reduced stress. The dissatisfaction of RMG workers in Bangladesh is a

result of noncompliance in pay or poor compensation, according to a study by Mohiuddin, (2014). Therefore, the following hypothesis is established for this study on the impact of social compliance in order to identify conflict management solutions in Bangladesh's RMG business.

H₁: Conflict management in the Bangladesh's RMG industry is significantly influenced by social climate.

MATERIALS AND METHODS:

F. E. Fielder first proposed the concept of contingency theory utilized in this investigation in 1964; Garcia elaborated on it in the 1987; and other academic institutions have investigated it (da Cruz *et al.*, 2011). New research on conflict resolution employs contingency theory due to its adaptability (Rashid *et al.*, 2020). Apuke, (2017) contends that quantitative methods are preferable for studying and predicting variables. This quantitative research the endeavor collected its data through a survey and the random sampling. SPSS and PLS-SEM were utilized to analyze the data collected from 384 Bangladeshi RMG industry employees. It offers a graphical user interface for SEM, variance-based structural equation modeling (Hair *et al.*, 2021). Using a limited sample size and fundamental hypotheses, PLS-SEM identified multiple interdependencies between variables (Hair *et al.*, 2019).

RESULTS AND DISCUSSION:

Characteristics of the sample and Descriptive statistics

Using SPSS version 23, we were able to ascertain that women constituted 60.7% of the sample and men constituted 39.3% of the sample. Approximately 86% of participants were younger than 30. The demographic group between the ages of 31 and 40 comprised approximately 13% of the total population.

The highest level of education attained by respondents was a graduate or professional degree (1.8%), followed by a bachelor's degree (1.8%), an associate degree (3.9%), a high school diploma (22.7%), an elementary school diploma (48.4%), and no diploma (22%). Only 1% has no formal education whatsoever. Sixty-seven percent of those surveyed were operators, while the remaining 28.6 percent held a variety of other positions, such as supervisor (8.6 percent), loader (0.5 percent), supply man (0.5 percent), and cutting man (0.5 percent). 71% of respondents had less than five years of experience, 19.5% between six and ten years, and 8.9% more than ten.

The total number of the respondents is 384 respondents. This study focuses on the Conflict Management Techniques (CMS). CMS is a dependent variable whose association with social compliance (SC) is an independent variable. CMS has a standard deviation of 0.674, resulting in a mean of 4.497. The standard deviation of SC is 0.728 and the mean is 4.595. All of the constructs have averages greater than 0.3 and standard deviations less than 2 (Podsakoff *et al.*, 2003). This means that the ±2 the confidence interval encompasses all of the constructions.

Measurement assessment

Reliability and validity assessment

According to Hair *et al.* (2019), it is necessary to conduct testing to determine the validity and reliability of all models simultaneously. When analyzing a measuring model, many aspects are taken into consideration, including Cronbach's alpha (>0.70, Nunnally, 1994), composite reliability, and discriminant validity. According to Qureshi *et al.* (2023), in order for a measure to have convergent validity, it is necessary for the measure to take into consideration both the item loadings and the average variance extracted (AVE).

Table 1: Reliability and validity of the constructs.

Construct	Items	Loadings (>0.70)	VIF (>5)**	Cronbach's Alpha(≥0.70)**	Composite reliability (rho_a)	Composite reliability (rho_c)	Average Variance Extracted (AVE) (≥0.50) **
Conflict Resolution Tactics	CMS1	0.817	2.952	0.956	0.957	0.962	0.715
	CMS10	0.884	4.085				
	CMS2	0.863	3.636				
	CMS3	0.816	2.856				

	CMS4	0.815	3.095				
	CMS5	0.852	3.506				
	CMS6	0.850	3.363				
	CMS7	0.833	2.945				
	CMS8	0.858	3.456				
	CMS9	0.866	3.566				
Social Compliance	SC1	0.875	3.178	0.937	0.938	0.952	0.798
	SC2	0.861	2.966				
	SC3	0.910	4.225				
	SC4	0.906	3.965				
	SC5	0.913	4.212				

According to Murtagh and Heck, (2012) values of the reliability coefficients rho_a and rho_c that were more than 0.70 were considered to be acceptable. According to Ringle et al. (2014), in order for there to be convergence, the AVEs must be greater than 0.50. Both Hair et al. (2009) and O'brien, (2007) demonstrated that the presence of multicollinearity is required when the VIF is less than 5.0. In both of the experiments (SC and CMS), the values of the VIF were lower than 5, which indicates that the effect of multicollinearity was only slight. **Table 1** provides an explanation of the constructs' convergent validity as well as their reliability.

Table 2: Discriminant validity (Cross-loadings).

Items	Conflict Management Techniques (CMS)	Social Compliance (SC)
CMS1	0.819	0.733
CMS10	0.883	0.751
CMS2	0.862	0.696
CMS3	0.817	0.682
CMS4	0.812	0.642
CMS5	0.854	0.716
CMS6	0.849	0.717
CMS7	0.833	0.669
CMS8	0.855	0.684
CMS9	0.868	0.751
SC1	0.711	0.875
SC2	0.732	0.861
SC3	0.739	0.910
SC4	0.796	0.906
SC5	0.744	0.913

Discriminant validity assessment

A notion is said to have discriminant validity if it can be distinguished from other concepts that have meanings that are analogous to its own. Fornell &

Larcker, (1981) proposed a variety of approaches for determining discriminant validity. Two of these methods, the HTMT and Cross Loadings, are examples of these methods. For the purpose of verifying discriminants, cross-loading matrices are used as a verification approach in this study. It is impossible for a structure to have bearing factors that are less strong than those of competing structures. According to the research done by Gefen et al. (2011) these results imply that the construction materials put the final product through its paces. **Table 2** presents evidence of the cross-loading discriminant validity of the analytical procedure. The table's structures now include predetermined maximum values for every cell in the table.

The PLS-SEM analysis of the measurement model for the investigation can be found shown in **Fig. 1**.

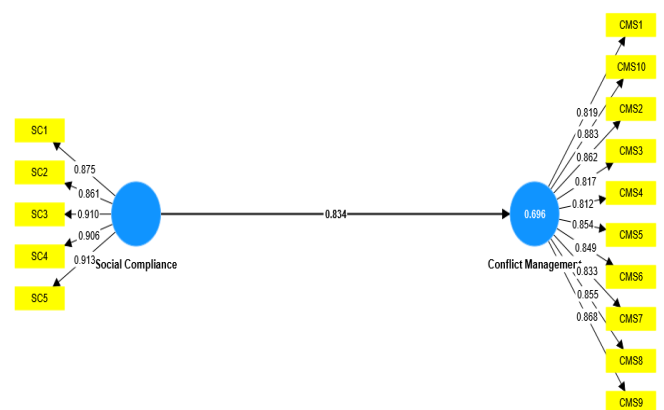


Fig. 1: Structural equation measurement model.

Assessment of Structural Model

Assessing Determination Coefficient and Prediction

According to the findings of study conducted by Klarner et al. (2013), the determination coefficient is the most essential statistic to consider when deter-

mining the trustworthiness of a structural model. According to **Table 3**, the R² value for conflict management tactics is 0.797. According to the definition offered by Gaur and Gaur, (2006) a high R² score is indicative of solid empirical prediction. Researchers frequently make use of the f square, which was first developed by Cohen, (1988) in order to evaluate the relative influence of an exogenous (independent) construct on an endogenous (dependent) construct. According to Sarstedt et al. (2019) values ranging from 0.00 to 0.15 suggest a little impact, values between 0.15 and 0.35 indicate a moderate effect, and values more than 0.35 indicate a significant impact. The findings for f² are shown in **Table 3** that the influence of social compliance on conflict management is significant, with a value of 2.287.

Table 3: R² and (f²) results.

Construct	R-square	R-square adjusted	Effect size(f ²)
Conflict management strategies			
Social Compliance	0.797	0.796	2.287

Assessing Path Coefficient

According to the research carried out by Hair et al. (2014), PLS-SEM may be used to determine whether or not conceptual or theoretical models are consistent with one another. This study also found that the many arrows represent the links that exist between the different structures. Cyprien and Kumar, (2011) originated that the primary purposes of path analysis are to (1) determine how important emotional qualities are for a certain feature and (2) accept explanations for the relationship between variables based on a model of cause and effect. Assuming an alpha threshold of 0.05, there is statistically significant evidence of a correlation or effect if both the p value is less than or equal to 0.05 and the t value is greater than 1.96, respectively. This indicates that the correlation or impact is real. **Table 4** demonstrates that there is a positive and statistically significant association between social climate and conflict management (the original sample size was 0.834, and the t-test produced a significance level of 0.000 for the relationship). The findings of the PLS-SEM analysis that was performed on the structural model of the research are shown in **Fig. 2**.

Table 4: Path Coefficient result.

Hypotheses	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Result
SC -> CMS	0.834	0.832	0.026	31.764	0.000	Accepted

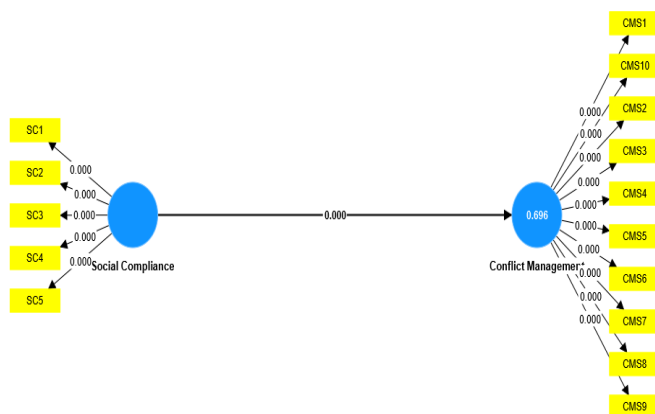


Fig. 2: Assessment results of structural model of the study

CONCLUSION:

Based on the results of this study, it can be concluded that the Bangladeshi RMG industry depend much on the social compliance factor for the management of UniversePG | www.universepg.com

industrial conflict. From this study, decision-makers and managers may gain knowledge. Owners and administrators of RMG industrial companies may find that emphasizing on social compliance factors aids in problem-solving and dispute resolution. This indicates that managers must consider the factors that associate the code of conduct of social compliance. Because this study found that the code of conduct is a valuable instrument for monitoring the compliance activities of its suppliers. The findings of this study also add that compliance is essential to the prosperity of any RMG organization. Previous studies (Jaiswal & Ha-Brookshire, 2020; Hoque et al., 2020; Hoque & Maalouf, 2020; Hamja et al., 2019; Alam et al., 2018; Hasan, 2018) have demonstrated a positive correlation between social compliance and conflict management strategies, and our findings supported this.

Contribution

The study was conducted with the intention of constructing a number of contributions that would broaden the knowledge and literature of conflict management as well as the managerial ramifications of RMG's line of work. The most notable result was the dissemination of information on the potential role that social compliance may play in the resolution of labor disputes in the RMG industry. This is one of the few empirical studies that look at the issue of dispute resolution in the Bangladeshi ready-made garment (RMG) business.

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CONFLICTS OF INTEREST:

The authors of this study affirm that there are no financial or commercial connections that could be considered a conflict of interest.

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