

# Inter-Organizational Paradox Management: How national business systems affect responses to paradox along a global value chain

Organization Studies  
2022, Vol. 43(4) 547–571  
© The Author(s) 2021  
Article reuse guidelines:  
sagepub.com/journals-permissions  
DOI: 10.1177/0170840621993238  
www.egosnet.org/os  


**Stephanie Schrage** 

Institute of Strategic and International Management, Hamburg University of Technology, Germany

**Andreas Rasche** 

Department of Management, Society and Communication, Copenhagen Business School, Denmark

## Abstract

This study discusses the relationship between inter-organizational paradox management, national business systems and global value chains. Using case study evidence from a global value chain in the footwear industry (in Germany and China), we analyse how different businesses in the chain responded to the paradoxical tension arising from the competing demands to provide a living wage to workers and to uphold financial performance. Our findings highlight organizational responses to this paradox along the value chain, showing how these responses were shaped by the interplay of different types of pressures exerted by national business systems and the value chain itself. While these pressures were aligned in the German part of the chain, they were not aligned on the Chinese side. The study makes two contributions: (1) we develop a taxonomy outlining how the alignment of different types of pressures influences whether organizations choose either proactive or defensive paradox management; and (2) we argue that theorizing the impacts of cross-national distance on paradox management can be enhanced by adopting a multidimensional approach to institutional variety that extends beyond culture-based arguments.

## Keywords

corporate social responsibility, global value chains, living wages, national business systems, paradox

## Introduction

Increasingly complex environments and intensified global competition mean organizations are exposed to more paradoxical tensions than they were only a few decades ago. Paradoxes are defined as conflicting goals that are pursued simultaneously and which, although mutually

---

### Corresponding author:

Stephanie Schrage, Institute of Strategic and International Management, Hamburg University of Technology, Am Schwarzenberg-Campus 4, Hamburg, 21073, Germany.  
Email: stephanie.schrage@tuhh.de

contradictory, are nonetheless ‘two sides of the same coin’ in that they are interrelated and coexist over time (Lewis, 2000, p. 761). The literature agrees that organizations respond to paradoxical tensions either through proactive or defensive paradox management. Proactive paradox management involves accepting and undertaking efforts to address the tension arising from conflicting goals, while defensive paradox management seeks to suppress the tension. Through these different practices, organizations socially construct paradoxes by balancing or further unbalancing their contradictory elements (Jarzabkowski & Lê, 2017; Lewis, 2000).

Surprisingly little research has been conducted on how paradox management takes place in the *inter-organizational* contexts tied to global value chains (GVC). While the literature has examined how paradoxes unfold as part of competition and cross-sector partnerships (Sharma & Bansal, 2017), the ways in which paradox management evolves inter-organizationally among firms along GVCs has rarely been analysed (for exceptions see Schmidt, Foerstl, & Schaltenbrand, 2017; Xiao, Wilhelm, van der Vaart, & van Donk, 2019). Analysing paradox management in such contexts is important because organizations are connected to an increasing number of business partners through outsourcing and division of labour and thus face paradoxes, together with these partners, that are often present throughout entire GVCs. Organizations that collaborate along a GVC thus need to find joint solutions to paradoxes. As today’s grand challenges present society with large-scale paradoxes and confront many organizations at once (Jarzabkowski, Bednarek, Chalkias, & Cacciatori, 2019), there is a need, as Schad, Lewis, Raisch and Smith (2016) have argued, to explore the relationships among actors involved in paradox management.

Previous research has emphasized the extent to which interpretative contexts influence the ways that different organizations handle paradox (Knight & Paroutis, 2017), especially in different cultural contexts (Keller, Loewenstein, & Yan, 2017; Prashantham & Eranova, 2020). This is because paradox responses that may have proven effective in a certain context are not necessarily effective in a different context. Our interest here is in how organizations that operate in different institutional contexts but which collaborate in a GVC respond to contradictory demands when confronted with the same paradox. We draw on the ‘national business systems’ (NBS) literature (Whitley, 1999) to theorize differences in institutional contexts, as this approach allows for the drawing of fine-grained distinctions among different types of organizing economic activities (Hotho, 2014). Our paper thus aims to answer the following research question: *How does paradox management evolve between organizations that are part of different national business systems yet belong to a single global value chain?*

We build on a qualitative single case study (Yin, 2014) of a GVC related to the footwear industry (from Germany to China). The empirical context of our study links to corporate social responsibility (CSR), which often confronts organizations with paradoxical tensions (Hahn, Pinkse, Preuss, & Figge, 2015). We analyse how different organizations within the GVC handle the paradoxical demands of providing a living wage for workers while at the same time keeping costs competitive. This demand is paradoxical for organizations because it involves simultaneously meeting goals related to social justice and financial performance. Our comprehensive data set includes 99 formal and informal interviews with individuals from seven organizations in the GVC and their stakeholders, as well as 188 hours of observation.

Our findings show how the paradox itself and the organizational responses to this paradox developed along the GVC. We conclude that the different ways in which the organizations responded to the paradox were influenced by pressures either to accept or suppress the paradox and that these pressures were exerted by two sources: the relevant NBS on the one hand, and relations within the GVC on the other. On the German side of the chain, organizations operated in an environment where both pressures were more aligned, as the German NBS created

conditions favourable to addressing both poles of the paradox that aligned with pressure from within the chain to make the payment of a living wage a condition for business transactions. This alignment of pressures led the German firms to undertake efforts to deal with the paradox in a proactive manner. On the Chinese side, the pressures were not aligned, as the Chinese NBS created conditions favourable to suppressing one pole of the paradox (i.e. living wage payments), while firms still faced pressure from within the chain to accept the paradox. Due to weak chain relations, the Chinese firms prioritized the pressure from their NBS and responded defensively by forging audit reports. We caution that our analysis does not suggest that the German paradox response was better than the Chinese response. The problems that occurred throughout the GVC were rooted in its captive nature and also existed because the German actors did not sufficiently consider the unique Chinese context when making decisions about living wages.

Our findings make two contributions. First, we extend recent discussions of inter-organizational paradox management in GVCs (Schmidt et al., 2017; Xiao et al., 2019) by showing how pressures exerted by NBS and relations in the value chain influenced organizational responses to paradox, developing a taxonomy to show how these pressures were either aligned or non-aligned. We argue that in cases where pressures from the NBS and the value chain are aligned, this alignment pushes organizations either towards accepting or suppressing a paradox (depending on the direction of the pressures). As a result, value chain actors are likely to adopt correspondingly either proactive or defensive paradox management strategies. We further propose that in cases where both pressures are non-aligned the perceived intensity of these pressures will influence whether proactive or defensive strategies dominate. Applying this taxonomy, we discuss the implications for the ways in which paradox management develops within GVCs, emphasizing that such chains face limits to enforcing a proactive approach towards paradox when relevant pressures remain weakly coordinated across organizations and countries. Second, we contribute to the paradox literature by providing empirical evidence of how paradox management is influenced by the various institutional structures of different countries, with ‘institutional structures’ here encompassing more than merely culture differences. For while previous literature has examined the influence of culture on the handling of paradox, especially the influence of Asian culture (Prashantham & Eranova, 2020; Zhang, Waldman, Han, & Li, 2015), we add to this literature by showing the relevance of theorizing cross-national institutional distance in a multidimensional approach when discussing broader societal influences on the ways that firms handle paradoxes. These two contributions integrate the hitherto neglected link between the NBS literature (Whitley, 1999) and the literature on paradox.

## Literature Review and Theoretical Background

### *(Inter-organizational) paradox management*

Paradoxes are defined as ‘contradictory yet interrelated elements that exist simultaneously and persist over time’ (Smith & Lewis, 2011, p. 382). The literature on how organizations handle paradox distinguishes between defensive and proactive paradox management. While a number of defensive paradox responses have been observed, including splitting or repressing paradoxes (Jarzabkowski & Lê, 2017; Lewis, 2000), this study focuses on defensive responses that seek to suppress a paradox by ignoring one side of the paradox in favour of the other. The literature has also identified several proactive strategies to deal with paradox, including confronting or adjusting (Jarzabkowski, Lê, & van de Ven, 2013; Lewis, 2000). We focus on proactive paradox management in the form of accepting, which entails understanding contradictions as a part of the work that

is undertaken. Paradox management is analysed here in the context of a paradox related to CSR, which often confronts organizations with tensions as it sets non-economic objectives that typically contradict traditional financial goals (Hahn et al., 2015). CSR thus constitutes a ‘performing paradox’ (Smith & Lewis, 2011, p. 383), which relates to the plurality of stakeholder interests and their competing goals (Smith, 2014).

Paradoxes exist on various levels (Smith, 2014): the micro level, where the focus is on individual experiences of paradox and the coping behaviour of individuals; the meso level, where the intra-organizational boundaries of firms contain the paradoxical tensions; and the macro level, where various firms are confronted simultaneously with contradictory inter-organizational demands, including throughout entire value chains. The literature to date has predominantly focused on paradox at the micro level (e.g. Jarzabkowski & Lê, 2017; Miron-Spektor, Ingram, Keller, Smith, & Lewis, 2018) and meso level (e.g. Knight & Paroutis, 2017), as well as on how these two levels interrelate (e.g. Jarzabkowski et al., 2013).

There has been little macro-level research on how inter-organizational paradox management takes place in the context of GVCs. Our study therefore addresses two research gaps. First, while scholars have studied how paradox unfolds within different inter-organizational settings such as cross-sector partnerships (Sharma & Bansal, 2017), research has scarcely examined how paradox management evolves among a set of organizations that jointly face a specific tension. Studying how paradox management is coordinated along GVCs is vital in order to enhance our understanding of why organizations within a social system respond in similar or different ways to paradoxical demands. Second, while the literature has looked at how cultural contexts influence paradox handling, especially related to Asian culture (Prashantham & Eranova, 2020; Zhang et al., 2015), little research has looked at how other dimensions of countries’ institutional structures influence paradox management, including political, financial, and labour systems.

### *National business systems*

We conceptualize institutional context through the notion of NBS, which theorizes the durable characteristics of institutional contexts (Matten & Moon, 2008). Business systems describe different types of business conduct and governance (Hotho, 2014). They can be defined as prevalent patterns of ‘economic organization and control’ (Whitley, 1999, p. 15). The concept of NBS recognizes that economic organization and control interacts with institutional context. NBS offers a lens on the variety of national institutional frameworks in which organizations operate and the effects these frameworks have on organizations (Hotho, 2014). While the NBS literature has extensively studied and compared the institutional contexts in which business activities are embedded, this scholarship has not hitherto been mobilized for the purpose of researching paradox management. This is surprising because the NBS literature complements the culture-focused arguments advanced in recent paradox literature (Prashantham & Eranova, 2020).

The NBS literature suggests that institutional context comprises the following four sub-systems (Whitley, 1999): (1) the political system, which refers to the power of the state and its comparative willingness and capacity to share risks with private companies and the extent to which it interferes in social and economic activity through regulation; (2) the financial system, i.e. the financial sources for businesses, e.g. the stock market, investors, or tax revenue in the case of state-owned firms; (3) the skills development and labour system, which refers to the ways in which human resources are developed, taking into account the labour market, employment laws and trade unions; and (4) the cultural system, i.e. the norms and values which influence the collective identities of the workforce – including the degree of trust in authorities.

The two institutional contexts relevant to this study can be characterized as follows (see Online Appendix A1 for details):

- (1) the German NBS comes with a political system of a social market economy with moderate state power, wherein the state intervenes in economic activities (Matten & Moon, 2008);
- (2) the German financial system relies primarily on a number of large investors (Silvia, 2013), and the two German companies discussed in this paper also rely on such large investors;
- (3) the German skills development and labour system rests on pillars of strong public education as well as robust national trade unions and civil society (Lane, 1997); and
- (4) the cultural system is characterized by a high degree of trust in public institutions as well as norms and values related to strong work and business ethics (Lane, 1997).

The Chinese NBS has the following characteristics:

- (1) a political system of authoritarian capitalism (Witt & Redding, 2013) wherein the Communist Party of China is powerful (Hofman, Moon, & Wu, 2017);
- (2) a financial system that is split, with state-owned banks offering financial resources for party-owned firms, while financial access is harder for privately owned companies (Witt & Redding, 2014), including the five private Chinese firms discussed in this paper;
- (3) the skills development and labour system depends on the party-owned All-Chinese Federation of Trade Unions, which mainly represents the interests of the Communist Party of China (Hofman et al., 2017);
- (4) the cultural system is defined by a low level of trust in authorities, which facilitates the institutionalization of corruption (Whitley, 1999, p. 52; Witt & Redding, 2014). Given the extent to which yin-yang thinking is rooted in Eastern philosophy, Chinese culture is known to facilitate paradoxical thinking (Zhang et al., 2015).

## Method and Case Setting

A case study research design enables in-depth analysis of complex settings (Yin, 2014). We conducted a single case study of a value chain related to the footwear industry that spans the Chinese and German NBS. Our unit of analysis is the value chain with its inter-organizational relations in the macro-level context of the two NBS. We selected the living wage paradox as a case because it is a paradox that confronts several organizations at once and thus requires inter-organizational paradox handling despite geographical distance and different institutional contexts.

### Research context

The initial phase of our data collection was conducted in Germany with the two organizations that form the first two stages of the GVC. The *retailer* (referred to as *RetailGroup*) has a long-standing tradition as one of Germany's retail companies and has sourced products from overseas factories since the 1980s. The company first established a CSR department in the 1990s to address social and environmental conditions in its value chains. RetailGroup is a medium-sized enterprise. While bigger retailers have considerable bargaining power on account of engaging large shares of their suppliers' capacities, RetailGroup's orders usually comprise only five percent or less of their suppliers' capacities. We also analysed an *importing firm* (referred to as *ShoeImport*) with their headquarters in Germany and an office in China. ShoeImport specializes in trading footwear products. RetailGroup and ShoeImport both lifted living wages onto their CSR agendas in early 2015 and in

2016 respectively. A ‘living wage’ is a wage that secures an adequate living standard for workers and their families, i.e. to a level above the poverty line. In contrast to a legal minimum wage, a living wage is not the result of industry collective bargaining or legislation but is set according to a certain threshold of quality of life (Carr, Parker, Arrowsmith, & Watters, 2016).

Both RetailGroup and ShoeImport manage CSR in their GVCs through the Business Social Compliance Initiative (BSCI), a social auditing standard. At the time of our study, BSCI auditors were not required to verify living wage data in the course of every audit, though all factories had to have relevant data on the provision of a living wage available, since they did not know beforehand whether auditors would ask for such data. As is typical of value chains in which social compliance is managed through auditing standards, the communicative relationships along the chain in our case study were weak (Lee, Mellahi, Mol, & Pereira, 2020), with each party mostly communicating with the next actor in the chain.

The other phase of our research took place in China, where we collected data with another five organizations along the value chain. Our journey first led us to the Chinese office of ShoeImport, which was opened in the province of Guangdong in the early 2000s and employs both German and Chinese staff. We then moved to the province of Fujian, where we collected data with three *manufacturers*, all of whom had had business relations with ShoeImport. Finally, we conducted research with two *material suppliers* of these manufacturers which, like the manufacturers, are private family businesses. While we are aware that the sample footwear value chain extends to other suppliers, e.g. dyers and producers of raw materials, we decided to limit our data collection to the second tier of the value chain. We did this mainly for reasons of good access, which is crucial when analysing a research topic in which paradoxical tensions play a role.

### Data collection

We draw on three types of data sources: interviews, observations and archival data. Tables 1 and 2 present an overview of our data set.

*Interviews.* Between 2015 and 2018 we conducted a total of 47 formal semi-structured interviews (see Online Appendix A2 for our interview guide and Online Appendix A3 for details on anonymization) and 52 informal interviews with individuals in and around the value chain. These interviews helped us to understand the paradox and the organizations’ paradox management. We audio recorded and transcribed all formal interviews, resulting in 235 pages of transcript. Interviews were conducted in English, German and Mandarin (with the help of an interpreter). We captured informal interviews through field notes. In total, our data set includes approximately 61.5 hours of interviews. Data collection started in 2015 when we conducted a series of formal interviews with the CSR managers of RetailGroup, who had just been confronted with the living wage paradox. In order to learn more about paradox management within and between organizations, we asked RetailGroup to connect us with their suppliers along a single value chain in 2016. Since gaining access to suppliers was not easy, it took until 2017 to conduct our first interviews with employees of ShoeImport and to schedule factory visits in China.

The interviewees included representatives of RetailGroup’s CSR ( $n = 7$ ) and buying departments ( $n = 3$ ) in Germany, ShoeImport’s CSR ( $n = 4$ ) and buying departments ( $n = 8$ ) in both Germany and China, factory managers ( $n = 6$ ) and workers ( $n = 14$ ) of manufacturers and material suppliers in China, other employees of the organizations in the chain ( $n = 6$ ) and stakeholders ( $n = 23$ ) (see Table 2). While most of our interviews in Germany were formally audio recorded and transcribed, many of the interviews in China were of an informal character and could not be recorded for two reasons: first, because not recording helped to get interviewees to speak more freely (mostly in the

Table 1. Overview of the data.

Organization	Location	Interview partners*	Formal interviews**	Informal interviews***	Hours of interviews	Hours of observation	Number of documents
RetailGroup	Germany	12	6	16	14.5	22	32
ShoeImport	Germany	5	5	15	8	14	13
	China	7	5	7	5	96	2
Manufacturers	China	14	3	11	6.5	38	0
Material suppliers	China	10	5	2	4	10	0
	<b>Value chain data:</b>	<b>48</b>	<b>24</b>	<b>51</b>	<b>38</b>	<b>180</b>	<b>47</b>
BSCI	Germany	2	2	1	2.5	0	8
	China	1	1	0	1	0	2
MSIs	Germany	1	1	0	1.5	0	0
	Other	3	3	0	3	0	11
NGOs	Germany	2	2	0	2.5	8	3
	China	1	1	0	1	0	0
Trade unions	Germany	2	2	0	2	0	0
	Other	1	1	0	0.5	0	3
Government	Germany	2	2	0	3	0	11
Int. organizations	Other	2	2	0	1.5	0	0
Consultancies	Germany	1	1	0	0.5	0	0
	Other	3	3	0	2.5	0	0
Business associations	Germany	2	2	0	2	0	0
	<b>Stakeholder data:</b>	<b>23</b>	<b>23</b>	<b>1</b>	<b>23.5</b>	<b>8</b>	<b>38</b>
	<b>Total:</b>	<b>71</b>	<b>47</b>	<b>52</b>	<b>61.5</b>	<b>188</b>	<b>85</b>

\*Several interview partners were interviewed more than once. Some of the interviews were led as group interviews.

\*\*Formal interviews were audio recorded and transcribed.

\*\*\*Informal interviews were captured in field notes.

**Table 2.** Overview of interview partners (formal and informal interviews).

Organization	Location	CSR managers	Buyers	Factory managers	Workers	Others	Total
RetailGroup	Germany	7	3			2	12
ShoeImport	Germany	2	3				5
	China	2	5				7
Manufacturers	China			3	10	1	14
Material suppliers	China			3	4	3	10
Stakeholders	Germany					12	12
	China					2	2
	Other					9	9
		11	11	6	14	29	71

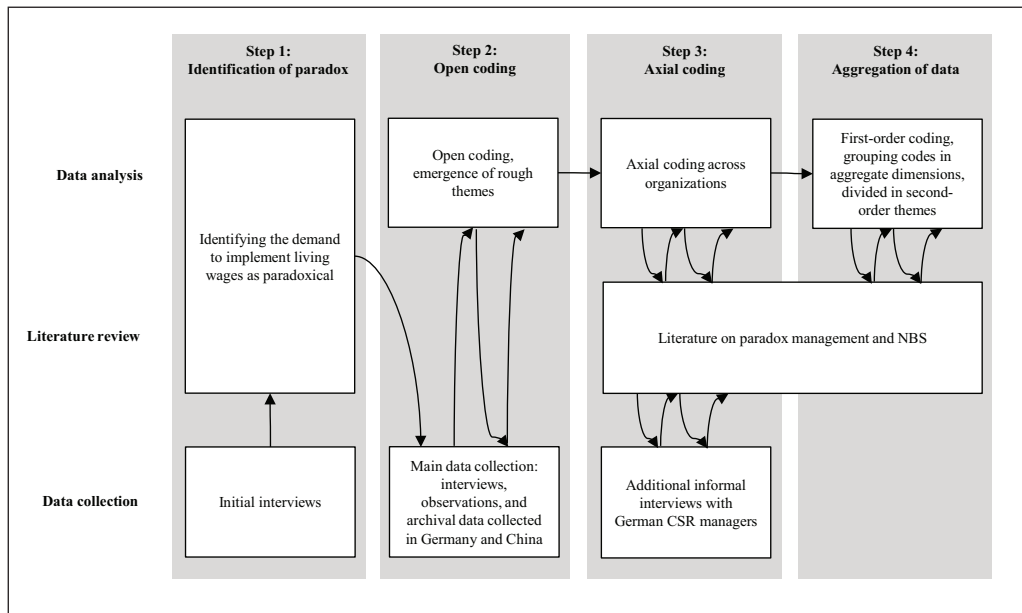
case of factory managers and workers); and second, because recording was not possible when we conducted interviews in loud and informal settings. For instance, most interviews with workers were conducted in proximity to the production lines in order to enable workers to meet their piece-rate objectives. In addition, many interviews with ShoeImport's Chinese staff and some of the traders and factory managers took place in the course of business lunches and dinners or during car journeys. In addition to our interviews with professionals along the value chain, interviews with stakeholders completed the data set (see Table 1). These stakeholder interviews enabled us to triangulate our findings and understand the German and Chinese institutional contexts.

*Non-participant observations.* We visited RetailGroup and ShoeImport on several occasions between 2015 and 2018, observing without actively participating in numerous informal and formal meetings (including meetings held over lunches, weekly meetings and telephone conferences) and events (e.g. panel discussions). In addition, we spent five weeks in March and April of 2018 in Hong Kong and China conducting stakeholder interviews, visiting the Chinese office of ShoeImport and accompanying representatives of ShoeImport's CSR department on routine factory visits as silent observers. Here we were able to observe training sessions, audits and factory tours. Through these observations we learned more about the contradictory tensions the managers were facing and observed first-hand their everyday responses to the living wage paradox. In total, this resulted in 188 hours of direct observation captured in 37 written field notes taken during or directly after the observations.

*Archival data.* RetailGroup and ShoeImport provided 47 mostly non-public documents, including PowerPoint slides, meeting minutes and reports, which helped to build our background understanding of the two organizations and the relevant institutional context. In order to comprehend the context of the footwear industry in Germany and China and the overall issue of a living wage, we drew on an additional 38 documents, some of which were publicly accessible and some of which were provided by stakeholders such as NGOs and international organizations.

### Data analysis

The data was analysed using an open-ended theory-building approach that commenced during the data collection stage and involved several iterative cycles (Strauss & Corbin, 1998). We followed a four-step process of data analysis, as illustrated in Figure 1.



**Figure 1.** Data analysis process.

*Step 1 – Identification of the paradox.* In 2015, we conducted 11 interviews with CSR managers of RetailGroup and the company’s stakeholders to learn about the demand to implement living wages in their GVCs. After a first round of inductive analysis and a literature review, we identified this demand as being of particular interest because it seemed paradoxical to the actors.

*Step 2 – Open coding.* We obtained access to the value chain and collected more data, including multiple units (i.e. organizations in the value chain) and levels of analysis (i.e. intra- vs. inter-organizational paradox management), with blurred boundaries (Langley, 1999). Initially we coded data for each organization in the value chain separately. Using MAXQDA, we then created an integrated database of all data and assigned 308 mass descriptive open codes (Strauss & Corbin, 1998). Two themes emerged during this phase of analysis. First, the nature of the living wage paradox unfolded as an inter-organizational paradox that confronted all organizations along the value chain and thus demanded joint paradox handling. Second, the contrast became clear between the proactive and defensive paradox management undertaken by the organizations along the chain.

*Step 3 – Axial coding.* We began analysing data across the different organizations in the value chain, applying constant comparison (Strauss & Corbin, 1998). Using the codes allocated to one organization, we re-read the codes allocated to another organization, allotting new comparative axial codes. We first compared within and then across NBS. In order to enrich our axial codes we looked at observational data and reports in interviews from interactions across the organizations (e.g. meetings, training sessions and audits), which further informed our inter-organizational perspective. While the first two steps were rather inductive, we included more abductive elements in this step by linking our data to the paradox literature. For instance, we specified proactive and defensive paradox responses (Jarzabkowski & Lê, 2017). We also referred to the NBS literature (Whitley, 1999) to further explain the phenomena we could see in the data. In total, we assigned 57 axial

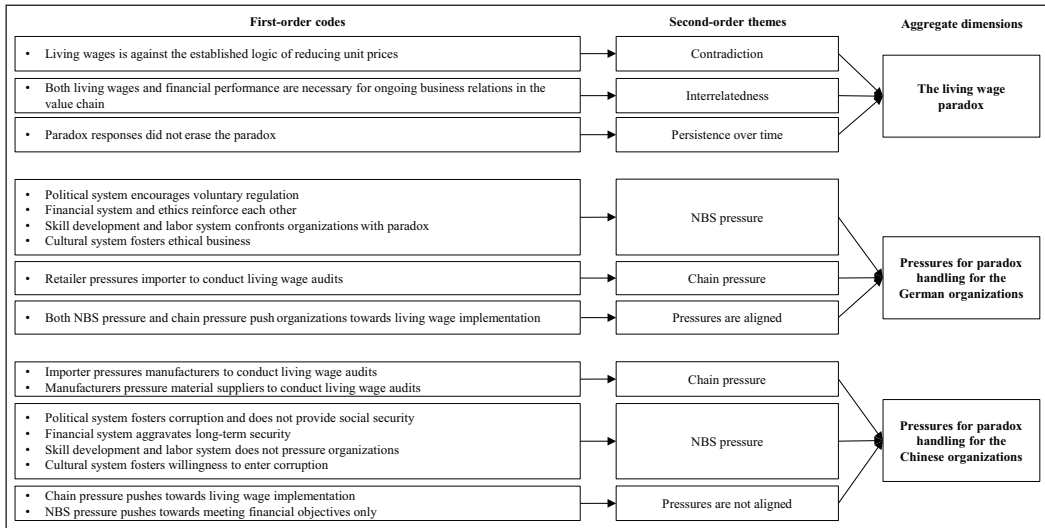


Figure 2. Data structure.

codes (Strauss & Corbin, 1998). The comparison was further informed by additional informal interviews with CSR managers of RetailGroup and ShoeImport.

**Step 4 – Aggregation of data.** In order to move from a large number of descriptive open and axial codes to a smaller number of more telling codes, we returned to the literature on paradox management, paradoxes in CSR, and NBS. We then compared the descriptive codes with one another and further contrasted them with the literature, yielding 17 first-order codes (see Figure 2). Finally, we grouped these first-order codes into nine second-order themes as well as three aggregate dimensions (see Online Appendix A4 for a data table). Throughout the entire analysis, we developed an overview figure showing the relations between the different codes and dimensions in the data, which resulted in Figure 3. Each of the boxes in this figure can be backed with anchor data that was copied below the graph while developing it and later deleted for purposes of readability. The codes and the model thus co-evolved during the analysis process.

## Findings

We first discuss the characteristics of the living wage paradox as it unfolded along the chain. We then describe how the paradox was managed on the German and on the Chinese side of the chain.

### The living wage paradox

The demand to implement a living wage was paradoxical for all the organizations in the GVC. It was *contradictory* in that implementing living wages entailed accepting higher costs, which went against the established logic of reducing unit prices (ShoeImport6). However, the contradictions unfolded differently along the chain (see Table 3). For RetailGroup, implementing living wages meant incurring increased due diligence costs due to new elements in their social audit system (BSCII; RetailGroup1). It also entailed a willingness to accept increased unit prices that negatively affected margins. Moreover, implementing living wages meant accepting the costs incurred in

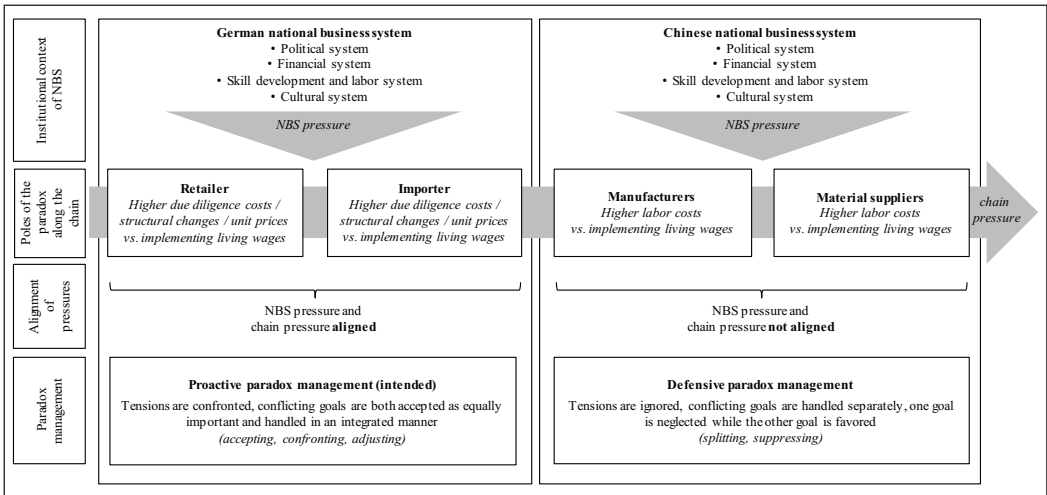


Figure 3. Summary of findings.

changing purchasing structures (RetailGroup1\_I1). RetailGroup committed to shouldering a share of these increased costs:

[Living wage implementation] of course would not mean that suppliers would pay for this [entirely], but there would be a discourse [with the suppliers] saying ‘we will increase the share [of the unit price] for wages. Can you guarantee, prove, write down for me in any way that this increase is actually paid to your workers?’ [. . .] Our buyers [. . .] need to have the ownership of this topic in the sense that they feel responsible and are able to determine the unit price below which they would run the risk of harming human rights. (RetailGroup1\_I1)

Implementing a living wage was also contradictory for ShoeImport, since together with the retailer they also faced increased due diligence costs (ShoeImport1\_I1), while the higher labour costs involved affected their margins even more severely because they had to accept higher unit prices as a corollary of providing a living wage. Before the implementation of living wages, ShoeImport’s buyers had chosen suppliers strictly on the basis of the lowest unit price, meaning they now also needed to change their purchasing structure:

Raising wages is against the logic of reducing prices. Until now, the key account managers [in the buying department] have the licence to do whatever they want. They dictate how business is done and manifested the logic of choosing suppliers by the single criterion of the unit price. (ShoeImport10)

The Chinese manufacturers also saw a contradiction in implementing a living wage since higher wages meant increased labour costs, which had a negative impact on their margins. As one manufacturer (Manufacturer5) stated: ‘From one side, the client asks us to reduce the working time and increase the wages. But from the other side they push the delivery and the prices like hell. So this is conflictive.’ The material suppliers likewise experienced the contradictory elements of the paradox, since implementing living wages entailed higher unit costs due to higher labour costs. MaterialSupplier1 told us: ‘[. . .] if the clients have such requirements, they should think about the fact that [. . .] if the factories don’t have any margin, then they cannot survive.’

Table 3. The living wage paradox.

Country	Actor in the GVC	Contradiction		Interrelatedness	Persistence
		Social element	Financial element		
<b>Germany</b>	<i>RetailGroup</i>	Implementing living wages for production workers	<ul style="list-style-type: none"> <li>- Due diligence costs</li> <li>- Higher unit prices due to higher labour costs</li> <li>- Costs of changing purchasing structures</li> </ul>	<ul style="list-style-type: none"> <li>- Both financial and social element necessary for ongoing business relations in the chain</li> <li>- Living wage implementation as necessary condition for long-term business in the value chain as imposed by German Textile Alliance, investors, NGOs and trade unions, and employees</li> </ul>	<ul style="list-style-type: none"> <li>- Paradox management practices did not erase paradox</li> <li>- Paradoxical tensions came up with all organizations throughout the chain when rolling out living wage implementation</li> <li>- Meeting both contradicting elements meant ongoing change in purchasing practices in the chain</li> </ul>
	<i>Shoelmport</i>	Implementing living wages for production workers	<ul style="list-style-type: none"> <li>- Due diligence costs</li> <li>- Higher unit prices due to higher labour costs</li> <li>- Costs of changing purchasing structures</li> </ul>	<ul style="list-style-type: none"> <li>- Both financial and social element necessary for ongoing business relations in the chain</li> <li>- Living wage implementation as necessary condition for continued business with RetailGroup</li> </ul>	<ul style="list-style-type: none"> <li>-</li> </ul>
<b>China</b>	<i>Manufacturers</i>	Implementing living wages for production workers	<ul style="list-style-type: none"> <li>- Higher unit costs due to higher labour costs</li> </ul>	<ul style="list-style-type: none"> <li>- Both financial and social element necessary for ongoing business relations in the chain</li> <li>- Living wage implementation as necessary condition for continued business with Shoelmport (only one of many clients)</li> </ul>	
	<i>Material suppliers</i>	Implementing living wages for production workers	<ul style="list-style-type: none"> <li>- Higher unit costs due to higher labour costs</li> </ul>	<ul style="list-style-type: none"> <li>- Both financial and social element necessary for ongoing business relations in the chain</li> <li>- Living wage implementation as necessary condition for continued business with Manufacturers (only few of many clients)</li> </ul>	

As is characteristic of paradoxes (Smith & Lewis, 2011), the paradoxical elements of implementing living wages vs. keeping up financial performance were *interrelated*, as both were necessary to ensure the long-term survival of business relations along the chain. ShoeImport, the Chinese manufacturers, and the material suppliers had to accept living wage implementation because it was framed as a necessary condition for continued business along the chain, mainly due to client demand (ShoeImport1; Manufacturer1; MaterialSupplier1). RetailGroup was also compelled to engage in living wage implementation and to accept both paradoxical elements as given because of pressure by a government-sponsored initiative (RetailGroup1\_I1). The paradoxical tension was also *persistent* over time, since paradox management did not erase the paradox. Even after taking action on the paradox, one CSR manager at RetailGroup described the situation as follows (RetailGroup5): ‘We felt helpless in a sense, felt no action – no, we did not have leverage.’ Once the paradox had been addressed by RetailGroup, the underlying tension kept re-emerging as soon as each GVC actor was newly confronted with the demand to increase wages. The managers also realized that meeting the living wage paradox required ongoing adjustments to purchasing practices in the chain (RetailGroup1\_I1; ShoeImport6). In sum, the living wage paradox shared the basic characteristics of paradoxes: contradiction, interrelatedness and persistence (Smith & Lewis, 2011).

Although the paradox was present all along the chain, the different organizations faced different pressures to deal with the paradox and these pressures changed along the GVC, in turn influencing both the ability of the organizations to respond to the paradoxical demands and the manner in which they responded. On the basis of our data, we distinguish between pressure to accept the living wage paradox and pressure to suppress the paradox. This pressure was exerted either by different NBS elements (‘NBS pressure’) or by actors in the GVC (‘chain pressure’). The following two sections focus on how these pressures played out on the German and Chinese sides of the chain.

### *Paradox management on the German side of the GVC*

Living wages were lifted onto RetailGroup’s agenda because different elements of the German NBS pushed the organization to address the topic. Within the German political system, the state encourages the voluntary regulation of wages along GVCs. In particular, the German Textile Alliance (a governmental initiative) confronted RetailGroup with the living wage issue.

So, that [attention to living wages] is changing rapidly through the German Textile Alliance, which has become very large. [. . .] as an element of our social management system, it [the living wage topic] came through the German Textile Alliance. (RetailGroup5)

Despite the Textile Alliance being a voluntary initiative, RetailGroup’s managers did not perceive the implementation of a living wage as a purely voluntary action; rather they were afraid that the soft law regulation of the Textile Alliance would soon become ‘political’ (RetailGroup1\_I14). As one representative from RetailGroup perceived it, the Alliance had decided to undertake a ‘mandatory initiative’ in the area of living wage implementation (RetailGroup1\_I1).

The German financial system exercised more subtle pressure. Investors encouraged RetailGroup to see responsible business conduct as a driver of competitive advantage, demanding that the organization avoided reputational risks and planned long-term in order to gain access to capital. In response to this pressure, RetailGroup’s CEO stated at the annual press conference in 2018 that ‘We want to become the ethically impeccable alternative to Amazon’ (RetailGroup1\_I15). The skills development and labour system in Germany and the country’s strong NGOs and trade unions exerted further pressure on RetailGroup to pay a living wage. As part of the German Textile Alliance, RetailGroup was in ongoing deliberations with NGOs and trade unions that considered the provision of a living wage to be a matter of urgency (NGO2):

I believe the urgency with which NGOs are treating the topic [of living wages] made it inevitable that it also got on our agenda. I do not believe [. . .] we did a risk analysis or some sort of mapping and said ‘So, [. . .] where do we have to become more active?’, but I believe it comes from the multi-stakeholder initiatives. (RetailGroup1\_I1)

The German cultural system emphasized business ethics. RetailGroup’s CSR managers were concerned with meeting their own ethical standards and thus exerted pressure on the organization from within, advocating for the purchasing system to be adjusted in spite of the highly competitive industry in which they operated:

I think we [my boss and I] don’t understand each other. We cannot make political statements on the side. We have to make real changes. (RetailGroup1\_I14)

There was also a high degree of perceived rule-obedience by German actors. As one of our Chinese interview partners reflected (ShoeImport7): ‘What do I think about the German culture and the Chinese culture? I think that the Germans always follow the rules. The Chinese are more flexible.’ The particularities of both NBS were, however, not much taken into consideration by RetailGroup. While establishing the BSCI audit system, the company pushed its solutions down the GVC without much effort to understand the Chinese business context (BSCI1).

ShoeImport experienced similar pressures from the German NBS to implement living wages (ShoeImport1\_I1), and although they were aware of the demands of the Textile Alliance they were not an active member of this initiative. Due to ShoeImport’s position in the chain, however, they were subjected to pressure to address the paradox from RetailGroup, who encouraged them to conduct audits on the provision of a living wage in the factories. In the words of ShoeImport’s head of CSR (ShoeImport1): ‘The client pushes the responsibility down the chain [. . .]. We do BSCI audits because our clients require us to. If we could, we wouldn’t do it. But it’s a condition for placing orders from most of our clients. This is why we keep doing it.’

For RetailGroup and ShoeImport the pressure from the German NBS and the chain pressure were aligned. Given their position as the lead buyer, RetailGroup did not experience much chain pressure and thus mostly had to respond to pressure from the NBS.<sup>1</sup> For ShoeImport, the pressure from the NBS and the pressure from the chain both pushed in the same direction, i.e. to implement living wages in spite of the negative effects for their financial performance. This alignment of pressures enabled proactive paradox management on the German side of the chain, with the German firms accepting the paradoxical tensions as a necessary condition of their work. ‘We fight. And then we compromise. [. . .] But this is normal business’ (ShoeImport7).

CSR managers of both firms accepted that the paradox would persist as long as they collaborated with low-cost producers in China: ‘[. . .] our next conclusion was, OK, that’s how it is, we won’t change China, we want to stay in China’ (ShoeImport1\_I2). Having accepted the living wage paradox, CSR managers at RetailGroup and ShoeImport handled the paradox proactively by confronting colleagues with the shortcomings of the established system. For example, in the course of one telephone conference we observed the following exchange in which a CSR manager of RetailGroup confronted a representative of their internal sourcing agency in Hong Kong:

*Observation setting: RetailGroup headquarters, Germany, conference room; Participants: CSR managers (RetailGroup1,2,3) on the telephone with a manager of Subsidiary2; Year: 2015*

RetailGroup3 leads the telephone conference. The last point on the agenda is the new living wage topic. RetailGroup3 confronts Subsidiary2 with flaws in the current audit system, which does not incorporate

living wages yet. RetailGroup3 says: ‘You have to agree that the current audit system does not work. [. . .] The standards are too loose and nobody even oversees whether or not the factories implement the CAPs [corrective action plans].’

Subsidiary2 replies: ‘I don’t see this as our task. You can’t deny that this should be part of the CSR department’s responsibility.’

RetailGroup3 snaps [she would explain to us later that she had had this conversation many times with Subsidiary2]: ‘You know, I struggle with this logic. We are not even in direct touch with the factories [Subsidiary2 is]. [. . .] Actually, it makes me very angry.’

RetailGroup attempted to adjust the system proactively by extending the BSCI audits to include living wages. If implemented fully, the BSCI living wage policy would resolve the paradox in a proactive manner, with business operations adjusted in such a way that the two conflicting goals were achieved at the same time (BSCI2). RetailGroup committed themselves to entering into business relations only with audited suppliers or other BSCI members and developed an understanding of the necessity to alter their purchasing practices. As a CSR Manager stated ‘To me the main challenge [in order to truly implement living wages] [. . .] is that we need to develop a sensibility for the processes or also for the pressure that we put on suppliers and the factories’ (RetailGroup1\_I1).

RetailGroup made these compliance-driven audits a necessary condition for doing business within the chain, while at the same time communicating their willingness to bear a share of the increased labour costs by accepting higher unit prices (RetailGroup1\_I1). RetailGroup hoped to enforce the BSCI along the chain by pressuring their suppliers. They perceived this as proactively dealing with the paradox and hoped suppliers would feel obligated to meet their demands:

It has always been our endeavour to say ‘Let’s put the work on many shoulders, let’s involve as many people as possible’ [. . .] to activate market forces to increase pressure on the value chain in order for this pressure to result in stronger reactions on the part of suppliers who feel obligated to implement what we demand from them. (RetailGroup5)

### *Paradox management on the Chinese side of the GVC*

ShoeImport passed on the pressure from their client to the Chinese manufacturers. These manufacturers, in turn, acknowledged the necessity of implementing a living wage because some of their clients, including ShoeImport, required a valid BSCI certificate as a condition for doing business. ShoeImport dictated the BSCI standard to the Chinese manufacturers in a strict manner, paying close attention to detail and even pointing out flaws to the auditor. For example, during one audit we observed the following exchange between ShoeImport1, the auditor, and Manufacturer1:

*Observation setting: Headquarters of Manufacturer1, Fujian province, conference room; Participants: ShoeImport1, the auditor, and Manufacturer1; Year: 2018*

ShoeImport1 asks the auditor [while going through documents provided by Manufacturer1 for the audit]: ‘Are these documents detailed enough?’

Auditor: ‘Yes, they are fine.’

ShoeImport1 to Manufacturer1: ‘There is no date on this document. The BSCI requires you to have a date on the documents.’

The manufacturers in turn passed the chain pressure on to some of their material suppliers, who also needed to present a BSCI audit in order to enter into business relations with the manufacturers.

Yeah, we have a lot of meetings with these different kinds of suppliers. And we give them the idea and give them pressure, you know, to improve performance. (Manufacturer5)

Unlike the German NBS, however, the pressure from the Chinese NBS did not align with the pressure from the chain. The Chinese NBS did not push firms to implement living wages; rather its sub-systems served to weaken the willingness and ability of firms to pay a living wage. Although the Chinese government had launched strict wage legislation that required high overtime payment, the government did not enforce these laws and tolerated non-compliance:

In China, we have a labour law that says overtime should be limited to three hours a day. In a week, the total working hours should not be more than 60 hours. [. . .] This is Chinese labour law. But China is such a particular country; it is normal that an employer does not comply with the labour law. [. . .] Because we don't have such a strict [enforcement of] regulation. (ShoeImport2\_I2)

The Chinese financial system further constrained the ability of the suppliers to pay a living wage, since the manufacturers and material suppliers were private firms that could not easily access bank loans. With no access to structures of insolvency proceedings, their ability to take financial risks was reduced, since going bankrupt meant 'losing your face' (Manufacturer1) and 'taking a lot of people with you' (ShoeImport1). These two effects, in combination with presumably tighter margins on the Chinese side of the GVC, made it hard for Chinese organizations to make long-term investments in worker training that could have enabled an environment in which living wages could actually have been implemented:

Nowadays, actually, a supplier or factory is never interested in doing this [investing in training for workers]. But they also don't know how to, and they don't know how much money they need to invest. [. . .] they just don't know what are the final benefits that they can get if they invest that much. (Manufacturer1)

These undermining effects were exacerbated by the Chinese labour system, which put no pressure on the organizations to improve workers' wages and thus further weakened their willingness to implement living wages. The Chinese labour system consists of a single, party-owned trade union that does not advocate effectively for workers' rights:

Actually, the local government asked us to have a workers' union. So, we do have one, but they don't really do anything – I mean, not like a real workers' union [. . .] – I think 95% of the new workers are not familiar with the workers' union. It's not popular in China, especially for private factories. It doesn't work, I think. (Manufacturer1)

In addition to lacking union structures, the Chinese labour system did not provide much room for activism on the part of civil society organizations. Unlike Germany, where NGOs exerted pressure on businesses, in China NGOs did not have much of a voice. For example, during our field trip to Chinese factories we were able to observe a training session at which Chinese senior and middle managers were introduced to the NGO concept as follows:

*Observation setting: Conference room at Manufacturer1 headquarters, Fujian province; Participants: 12 middle and senior factory managers (suppliers of Manufacturer1) assembled for a training session in sustainable management conducted by an external trainer (initiated by ShoeImport); Year: 2018*

The trainer explains to the class that Western clients have to implement sustainability measures due to pressure from NGOs. She asks: 'Who knows what an NGO is?'

No one raises their hand. She asks: ‘Who has heard of Greenpeace?’

Only one of the participants raises their hand. The trainer explains the concept of NGOs.

The Chinese firms were thus unaware of the pressure exerted by civil society in their clients’ countries. In addition, we could see in our data that parts of the Chinese cultural system undermined the implementation of living wage payments. For example, we observed low levels of trust in authorities and a certain willingness to accept corruption. Manufacturer1 quite openly talked about making payments to workers so they would not reveal grievances to the government:

He [one of the workers] said: ‘You need to pay me a whole month extra salary. Otherwise, I will go to the government to sue you. And then you will pay me more.’ [. . .] When the government comes to your factory they will point out a lot additional problems [. . .] like safety or pollution issues or something like this. And then you need to pay them more and more. So, that’s not a good idea. That’s why we better pay the worker and keep things down. (Manufacturer1)

Although Chinese firms experienced pressure from the chain to address the paradox proactively, they did not receive much pressure from their NBS. The pressure from the chain and the pressure from NBS were therefore not aligned, meaning the Chinese firms were not only confronted with the opposing poles of the living wage paradox but also experienced competing pressures as to how to address the paradox. This non-alignment of pressures compelled the Chinese firms to adopt defensive paradox management, because the chain pressure that pointed towards proactive paradox handling was overshadowed by the NBS pressure to suppress the paradox. This caused Chinese firms to suppress the paradox by having the input on wages and working hours for their BSCI audits faked by an external consultant (ShoeImport1\_1; ShoeImport2\_2) in order to continue ‘business as usual’.

The Chinese way to handle such audits – one realizes you cannot find firms you can rely on. [. . .] Factories sometimes have 5 or 6 different document versions, because a client wants documents that are a little bit honest. Then they need one version for the BSCI. Then I come and want completely honest documents, which means they have to record their overtime realistically. For others, they only record 2 hours per night. (ShoeImport1\_I1)

Although the manufacturers passed on the pressure from the chain to handle the paradox proactively through the BSCI to their material suppliers, this did not result in any substantive changes of wages. We observed the following conversation between MaterialSupplier1 and ShoeImport2 during a routine visit to a factory that had recently been BSCI-audited:

*Observation setting: Headquarters of MaterialSupplier1, Fujian province, factory tour; Participants: MaterialSupplier1 and 2 leading ShoeImport1 and 2 through the factory; Year: 2018*

ShoeImport2: ‘So how many factories do you have? You said all upper material and insoles are produced at the same site, yet I don’t see the machines here. Where are the big machines? They are supposed to be at this address.’

MaterialSupplier1: ‘I have more factories. It is a lot of work to do the audits. We only have BSCI for this one.’

ShoeImport2: ‘So you produce elsewhere for our client as well. This is not how it works. You need to have them audited.’

In order to avoid having all of his factories audited, the supplier had listed all the factories producing for ShoeImport under the same address.

The BSCI audits were initially intended to address the living wage paradox proactively but became ineffective once they were embedded into the suppliers' everyday reality. The retailer underestimated the problems that the two competing types of pressures would create in the Chinese context. By failing to consider the particularities of the Chinese business context, they had designed a tool that imposed a bureaucratic burden without serving to actually improve workers' wages. Towards the end of our study, RetailGroup had become aware of this problem and blamed it on insufficient communication between their buying department and their suppliers.

The buyers never get in touch with the factories. They do not visit them, they do not place orders on a factory level. This [close collaboration between buyers and suppliers] is a fantasy construct. (RetailGroup1\_I1)

Weak communications and coordination along the chain reinforced existing beliefs that further impeded the implementation of a living wage. For instance, the Chinese manufacturers believed the market should determine wage levels and that any external intrusion into market dynamics was unwelcome. They perceived systemic pressures of the market as much more intense than pressures from within the GVC: 'The salary is not decided by clients. It's decided by the market' (Manufacturer1). After many years of conducting the BSCI audits, one factory manager stated that she still did not understand why their clients wanted them to conduct the audits at all (Manufacturer3). Ultimately, the proactive paradox management via the BSCI had 'collapsed' along the chain.

The [BSCI] team in Brussels are super good, really good people. The foundation is good and the auditor trainings are also good. Yet, it completely collapses along the value chain and this is really sad [ . . .]. If we could, we would not conduct the audits anymore. But it is a condition of the contract for most of our clients and therefore we keep on doing it, but only on paper. (ShoeImport1\_I1)

## Discussion

### *Paradox management in GVCs*

As indicated by our research question, little is known about how paradox management evolves in inter-organizational settings of GVCs (Schmidt et al., 2017; Xiao et al., 2019), especially in settings where there is a need to align the paradox management of different actors and across distinct NBS. While the paradox literature has examined how single actors shift from defensive to proactive paradox responses (Jarzabkowski et al., 2013), our study shows the evolution of paradox responses along a GVC and how the contexts of different countries and relations within the chain itself influenced these responses. In the German context, the alignment of NBS pressure and chain pressure led the organizations to undertake efforts to address the paradox proactively. The German retailer and the import agent thus accepted the opposing poles of the paradox as being equally important and strove to handle them in an integrated manner. In the Chinese context, the pressures from the NBS and the chain were not aligned, leading to a defensive handling of the paradox as the manufacturers and suppliers strove to suppress one pole of the paradox, i.e. the pressure to provide a living wage, which in practice meant the BSCI was only ceremonially adopted. Overall, our study highlights that the non-alignment of pressures from the NBS and the chain on one side of the GVC adversely impacted the coordination of proactive paradox management.

We theorize these results in a taxonomy that shows how NBS and chain pressure relate to paradox responses (see Table 4). Our taxonomy identifies two basic cases that describe how actors in GVCs respond to paradoxical demands. In the first case (quadrants I and IV), NBS and chain pressures are aligned, either because both push organizational actors to accept the paradox (in which

**Table 4.** Organizational Responses to Paradox Shaped by Different Types of Pressures.

	Chain pressure to accept paradox	Chain pressure to suppress paradox
<b>NBS pressure to accept paradox</b>	<p><u>Q I: Alignment</u></p> <p><b>Proactive paradox response</b></p>	<p><u>Q II: Non-Alignment</u></p> <p><b>Defensive paradox response</b>, if chain pressure dominates (i.e. perceived as more intense than NBS pressure)</p>
<b>NBS pressure to suppress paradox</b>	<p><u>Q III: Non-Alignment</u></p> <p><b>Defensive paradox response</b>, if NBS pressure dominates (i.e. perceived as more intense than chain pressure)</p>	<p><u>Q IV: Alignment</u></p> <p><b>Proactive paradox response</b>, if NBS pressure dominates (i.e. perceived as more intense than chain pressure)</p>
	<p><b>Proactive paradox response</b>, if chain pressure dominates (i.e. perceived as more intense than NBS pressure)</p>	<p><b>Defensive paradox response</b></p>

case actors are likely to adopt proactive responses) or because both push actors to suppress the paradox (in which case actors are likely to adopt defensive responses). With both types of pressures aligned, GVC actors should not find it difficult to provide a response to the paradox: either the paradox is accepted and the organizations explore possible links between the opposing forces; or the paradox is suppressed because actors manage to suppress one pole of the contradiction. Alignment of both pressures does not imply that the two ends of the living wage paradox are necessarily balanced. The pressures that trigger organizations' paradox response are different from the paradox itself. Rather, alignment means that the NBS and the chain pull an organization in a similar direction in terms of the paradox response that they trigger.

In the second case (quadrants II and III), NBS and chain pressures are not aligned because pressures push in different directions. We suggest that in this case an organization's response to the paradox depends on the *perceived intensity* of the competing pressures, with intensity here being the relative strength of certain pressures as these are experienced by different actors (Ashforth, Rogers, Pratt, & Pradies, 2014). The perceived intensity influences which of the pressures dominates an organization's response to paradox. What, then, shapes the perceived intensity of the two pressures?

Regarding the intensity of NBS pressure, our study emphasizes the vital role of a plurality of stakeholder voices. Stakeholder plurality implies that the competing demands of a paradox are made more visible (Smith & Lewis, 2011), because an organization is faced with more diverse and competing demands. If such a plurality of voices is missing, the NBS pressure to suppress a paradox is not challenged and therefore experienced as more intense. Conversely, if a firm faces many competing demands by a number of stakeholders, it will experience NBS pressure to accept the paradox, because suppressing a paradox is more difficult if different stakeholders constantly highlight the two competing ends of a tension. In our case, the Chinese firms faced pressure by the NBS to suppress the paradox. The intensity of this pressure was perceived as high, as few stakeholders explicitly expressed demands vis-a-vis living wages. This lack of stakeholder plurality reinforced the NBS pressure to suppress the paradox, because Chinese firms were hardly confronted with demands that would have emphasized the importance of living wage implementation.

Regarding the intensity of chain pressure, our case emphasizes the importance of the governance mode that is attached to a GVC (Gereffi & Fernandez-Stark, 2016). Chain pressure to accept a paradox is only perceived as intense throughout the entire GVC, if it is backed by a collaborative approach towards chain governance. In our case, the Chinese actors were subjected to chain pressure from the import agent to respond proactively to the paradox. However, while this pressure certainly existed, its perceived intensity was mitigated by the weak partnership on which the entire GVC was built. The organizations in our case operated within a 'captive' (Gereffi, Humphrey, & Sturgeon, 2005) GVC in which the suppliers performed routine and low-competence tasks. There was little direct communication between the different parts of the chain and this lack of communication undermined the perceived intensity of chain pressure, since buyers failed to consult the suppliers and did not seek joint solutions (Barrientos, 2013). All of this created a situation in which the pressure from the Chinese NBS to suppress the living wage paradox was perceived as high (due to a lack of challenging stakeholder voices) and therefore overshadowed the chain pressure to accept the paradox that was perceived as less intense (due to the captive nature of the chain).

Our taxonomy can serve as a springboard for discussing which factors either limit or enable the coordination of paradox management within GVCs. One implication of our study is that GVCs face limits in enforcing a proactive approach towards paradox when pressures to address a paradox remain poorly coordinated. Our case emphasizes how disseminating proactive paradox management throughout GVCs requires that organizations across the chain understand how NBS and chain-related pressures impact actors in different national contexts. This in turn requires

active coordination and consultation. Enabling proactive paradox management further entails an understanding of the interaction effects between the two types of pressures. These insights advance the literature on inter-organizational paradox (Jarzabkowski et al., 2019) because they show how context-related factors (here: NBS) and GVC-related elements interact with each other and thereby either enable or limit paradox management.

This leads to the question of how GVC actors can enable the coordination of proactive paradox management. Here it is important to note that the perceived intensity of pressures is not objectively given but rather is influenced by the social negotiation of meaning among actors, from which it is clear that the ways in which pressures are experienced can be influenced. One way to shape relevant experiences is to better *contextualize* paradox management, i.e. for actors along the chain to develop an understanding of what factors influence the perception of the paradox in different NBS. One reason why the coordination of proactive paradox management failed in our case was that the retailer and import agent did not sufficiently understand the NBS-related context in which manufacturers had to address the living wage paradox.

Contextualizing proactive paradox management implies much more than just pushing standards like the BSCI through the chain: rather, buyers need to become actively involved in developing 'workable' solutions (Xiao et al., 2019) together with their suppliers. Contextualization can, for instance, involve empowering suppliers by complementing standards like the BSCI with more long-term contracts, better order lead times and more advanced pricing methods (Miller, 2013). Such contextualization supports the coordination of proactive paradox management across the chain for two reasons: (a) it helps suppliers to develop a paradox mindset (Miron-Spektor et al., 2018) that may modify the experienced intensity of pressures; and (b) it helps buyers to gain a more in-depth understanding of how the NBS in which their suppliers operate constrains their ability to respond proactively to paradox. Contextualization thus requires that buyers and suppliers start acting as brokers bridging divergent social worlds that rest on different institutionalized norms (Reinecke, Donaghey, Wilkinson, & Wood, 2018). Future scholarly work can therefore draw on work that discusses practice variability and adaptation (Ansari, Fiss, & Zajac, 2010) to further theorize the contextualization of paradox management.

### *The influence of institutional variation on paradox management*

Our case shows the need to attain a better understanding of how the NBS of different countries affects the ways organizations respond to paradox in GVCs. We thus extend the literature on how the wider organizational environment affects firms' responses to paradoxical tensions (Jarzabkowski et al., 2013; Keller et al., 2017; Knight & Paroutis, 2017). While this literature has highlighted the ways in which culturally shaped beliefs influence paradox management (Prashantham & Eranova, 2020), we place a stronger focus on the role of NBS and thereby emphasize how historically developed institutional features such as political and financial systems impact firms' responses to paradox. Although we do not seek to deny the relevance of a culturally shaped paradoxical mindset in Eastern or Asian countries (Zhang et al., 2015), our results emphasize that this mindset needs to be evaluated in comparison with the influence of other societal institutions. Our case shows that the combination of perceived corruption, lack of collective organization among workers, and the dominance of short-term financial strategies all supported an institutional environment in which Chinese firms could not reconcile the provision of a living wage with maintaining profitability.

We argue that the paradox literature should therefore consider a multidimensional approach when discussing which characteristics impact paradox management across organizations and nations. To operationalize such an approach we suggest embedding discussions of cross-national distance in general (Ghemawat, 2001) and of institutional distance in particular (Berry, Guillén, &

Zhou, 2010) in the paradox literature. Theorizing cross-national distance along multiple dimensions is important not only because different types of institutional distance can affect paradox management but also because there can be trade-offs between different dimensions. A multidimensional research approach to the institutional conditions that influence paradox management can rest on the four dimensions of NBS, i.e. countries' political, financial, labour and cultural systems (Whitley, 1999). We see the main benefit of adopting such a multidimensional approach to institutional conditions in being able to arrive at a more nuanced and fine-grained understanding of how institutional variation impacts paradox management. Our case study has outlined a situation in which the cultural distance between Germany and China, on the basis of which one would have predicted that Chinese managers would favour both-and thinking and thus proactive paradox management (Li, 2016), was overshadowed by different elements of the Chinese NBS. A multidimensional approach to institutional variation can consider such overshadowing effects.

This also shows the relevance of power for further theorizing paradox management, since the effect of institutional conditions on organizations' paradox management is likely to be influenced by different types of power relations. For instance, a country's political system can (1) coerce firms into recognizing certain demands (coercive power) as much as it can (2) limit what can be discussed and negotiated (manipulative power) (Fleming & Spicer, 2014). Different institutional conditions can therefore limit actors' agency in a variety of ways when responding to paradoxical demands. Future paradox research that adopts a multidimensional approach to institutional variety can better account for how power structures that are tied to different institutional factors shape organizations' responses to paradox. Such research would align well with recent scholarly work on the interconnectedness of power and paradox (e.g. Berti & Simpson, 2021).

## Conclusion

Our paper has shown how organizations along a GVC addressed the living wage paradox in different ways. While the firms on the German side of the chain followed a proactive paradox management approach (by accepting the contradiction), the firms on the Chinese side of the chain adopted more defensive responses (by suppressing the living wage pole of the paradox). Our results show how the proactive response on the German side was enabled by an alignment of pressures exerted by the NBS and the chain itself, with the firms tending to accept the underlying tension since both pressures pushed them towards addressing the paradox. On the Chinese side of the chain, by contrast, the two pressures were non-aligned. For while different elements of the NBS pushed the Chinese firms towards suppressing the paradox, the firms were also subjected to pressure from the import agent to accept and address both contradicting elements. We have shown how the fact that the chain pressure was perceived as low in intensity (due to the weak nature of the partnership) meant the NBS pressure to suppress the paradox prevailed, determining the firms' defensive response to the paradox. On the basis of these results, we first developed a taxonomy that relates pressures to accept or suppress paradox to organizations' paradox management within the context of GVCs. Second, we have argued that the impact of cross-national distance on paradox management is best considered through a multidimensional approach to institutional distance that extends beyond culture-based analyses of institutional variety.

Future research should link the discussion of inter-organizational paradox management in GVCs to the concept of resources, since the ways in which firms respond to paradoxes is influenced by differences in their resources, which can vary according to a firm's position in a GVC (Gereffi et al., 2005). In this study we were not able to fully consider the role of resources, however, as we did not have access to detailed financial data (e.g. margins). While acknowledging differences in the financial capacities of the buyers and suppliers, we focused on more indirect means of evaluating the

capacities of actors to change labour practices (e.g. expected costs). While this study has thus focused on how a country's NBS and coercive power within a GVC shaped paradox responses, the financial and non-financial resources that actors are equipped with also play an important role in determining how intensely the competing demands of a paradox are experienced.

We also encourage future research to construct a cluster of institutional dimensions relevant for the analysis of inter-organizational paradox management across countries. While our own approach in this paper rested on the NBS research tradition (Whitley, 1999), future scholarly work can extend this by focusing on other conceptualizations of cross-national institutional variety. Two particular streams of scholarship can extend our approach. First, the literature on national governance systems (Henisz & Williamson, 1999) complements many aspects of the NBS approach because it puts more emphasis on administrative institutions (e.g. differences in legal systems) and therefore highlights the role of stakeholder groups (e.g. lawyers) that are not very well captured in the NBS literature. Second, the literature on national innovation systems (Nelson & Rosenberg, 1993) supplements the NBS approach because it puts more emphasis on the role of knowledge production and also stresses the influence of a country's connectedness (e.g. internet usage) on institutional variety. The latter aspect seems particularly important for analysing paradox management along GVCs, since such chains increasingly rely on digital technologies for integration, knowledge sharing and coordination.

### Acknowledgements

We thank Dirk Ulrich Gilbert, Daniel Geiger and Dennis Schöneborn for their friendly reviews of this paper. We are proud that this paper was awarded the EGOS 2019 award in honour of Max Boisot and his work, and we thank the committee for their recognition.

### Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

### ORCID iDs

Stephanie Schrage  <https://orcid.org/0000-0002-1171-3191>

Andreas Rasche  <https://orcid.org/0000-0003-2160-8130>

### Supplemental material

Supplemental material for this article (Appendix A1, A2, A3 and A4) is available online at: <https://journals.sagepub.com/doi/suppl/10.1177/0170840621993238>.

### Note

1. Although RetailGroup did not perceive any direct chain pressure due to their position in the value chain, they received a kind of inverse chain pressure. The company was aware that some of their suppliers had living wage initiatives with competitors. Hence, they knew that suppliers too saw this topic as an increasingly important part of managing global value chains.

### References

- Ansari, Shaz M., Fiss, Peer C., & Zajac, Edward J. (2010). Made to fit: How practices vary as they diffuse. *Academy of Management Review*, 35, 67–92.
- Ashforth, Blake E., Rogers, Kristie M., Pratt, Michael G., & Pradies, Camille (2014). Ambivalence in organizations: A multilevel approach. *Organization Science*, 25, 1453–1478.

- Barrientos, Stephanie (2013). Corporate purchasing practices in global production networks: A socially contested terrain. *Geoforum*, 44, 44–51.
- Berry, Heather, Guillén, Mauro F., & Zhou, Nan (2010). An institutional approach to cross-national distance. *Journal of International Business Studies*, 41, 1460–1480.
- Berti, Marco, & Simpson, Ace (2021). The dark side of organizational paradoxes: The dynamics of disempowerment. *Academy of Management Review*, 42, 252–274.
- Carr, Stuart C., Parker, Jane, Arrowsmith, James, & Watters, Paul A. (2016). The living wage: Theoretical integration and an applied research agenda. *International Labour Review*, 155, 1–24.
- Fleming, Peter, & Spicer, André (2014). Power in management and organization science. *Academy of Management Annals*, 8(1), 237–298.
- Gereffi, Gary, & Fernandez-Stark, Karina (2016). *Global value chain analysis: A primer* (2nd Edition). Durham, NC: Duke University Center on Globalization, Governance, and Competitiveness.
- Gereffi, Gary, Humphrey, John, & Sturgeon, Timothy (2005). The governance of global value chains. *Review of International Political Economy*, 12(1), 78–104.
- Ghemawat, Pankaj (2001). Distance still matters: The hard reality of global expansion. *Harvard Business Review*, 79(8), 137–147.
- Hahn, Tobias, Pinkse, Jonatan, Preuss, Lutz, & Figge, Frank (2015). Tensions in corporate sustainability: Towards an integrative framework. *Journal of Business Ethics*, 127, 297–316.
- Henisz, Withold J., & Williamson, Oliver E. (1999). Comparative economic organization—Within and between countries. *Business and Politics*, 1, 261–277.
- Hofman, Peter S., Moon, Jeremy, & Wu, Bin (2017). Corporate social responsibility under authoritarian capitalism: Dynamics and prospects of state-led and society-driven CSR. *Business & Society*, 56, 651–671.
- Hotho, Jasper J. (2014). From typology to taxonomy: A configurational analysis of national business systems and their explanatory power. *Organization Studies*, 35, 671–702.
- Jarzabkowski, Paula, Bednarek, Rebecca, Chalkias, Konstantinos, & Cacciatori, Eugenia (2019). Exploring inter-organizational paradoxes: Methodological lessons from a study of a grand challenge. *Strategic Organization*, 17, 120–132.
- Jarzabkowski, Paula, & Lê, Jane K. (2017). We have to do this and that? You must be joking: Constructing and responding to paradox through humor. *Organization Studies*, 38, 433–462.
- Jarzabkowski, Paula, Lê, Jane K., & van de Ven, Andrew H. (2013). Responding to competing strategic demands: How organizing, belonging, and performing paradoxes coevolve. *Strategic Organization*, 11, 245–280.
- Keller, Joshua, Loewenstein, Jeffrey, & Yan, Jin (2017). Culture, conditions and paradoxical frames. *Organization Studies*, 38, 539–560.
- Knight, Eric, & Paroutis, Sotirios (2017). Becoming salient: The TMT leader's role in shaping the interpretive context of paradoxical tensions. *Organization Studies*, 38, 403–432.
- Lane, Christel (1997). European business systems: Britain and Germany compared. In Richard Whitley (Ed.), *European business systems: Firms and markets in their national contexts* (1st edition) (pp. 64–97). London: SAGE Publications.
- Langley, Ann (1999). Strategies for theorizing from process data. *Academy of Management Review*, 24, 691–710.
- Lee, Sun Hye, Mellahi, Kamel, Mol, Michael J., & Pereira, Vijay (2020). No-size-fits-all: Collaborative governance as an alternative for addressing labour issues in global supply chains. *Journal of Business Ethics*, 162, 291–305.
- Lewis, Marianne W. (2000). Exploring paradox: Toward a more comprehensive guide. *Academy of Management Review*, 25, 760–776.
- Li, Peter Ping (2016). Global implications of the indigenous epistemological system from the East. *Cross Cultural & Strategic Management*, 23, 42–77.
- Matten, Dirk, & Moon, Jeremy (2008). 'Implicit' and 'explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33, 404–424.
- Miller, Doug (2013). *Towards sustainable labour costing in UK fashion retail*. Manchester: Capturing the Gains, University of Manchester.

- Miron-Spektor, Ella, Ingram, Amy, Keller, Joshua, Smith, Wendy K., & Lewis, Marianne W. (2018). Microfoundations of organizational paradox: The problem is how we think about the problem. *Academy of Management Journal*, *61*, 26–45.
- Nelson, Richard R., & Rosenberg, Nathan (1993). Technical innovation and national systems. In Richard R. Nelson (Ed.), *National innovation system* (pp. 3–21). New York: Oxford University Press.
- Prashantham, Shameen, & Eranova, Mariya (2020). Cultural differences in paradoxical tensions in strategy episodes. *Long Range Planning*, *53*, 101849.
- Reinecke, Juliane, Donaghey, Jimmy, Wilkinson, Adrian, & Wood, Geoffrey (2018). Global supply chains and social relations at work: Brokering across boundaries. *Human Relations*, *71*, 459–480.
- Schad, Jonathan, Lewis, Marianne W., Raisch, Sebastian & Smith, Wendy K. (2016). Paradox research in management science: Looking back to move forward. *Academy of Management Annals*, *10*(1), 5–64.
- Schmidt, Christoph G., Foerstl, Kai, & Schaltenbrand, Birte (2017). The supply chain position paradox: Green practices and firm performance. *Journal of Supply Chain Management*, *53*(1), 3–25.
- Sharma, Garima, & Bansal, Pratima (2017). Partners for good: How business and NGOs engage the commercial–social paradox. *Organization Studies*, *38*, 341–364.
- Silvia, Stephen J. (2013). *Holding the shop together: German industrial relations in the postwar era*. Ithaca: ILR Press, an imprint of Cornell University Press.
- Smith, Wendy K. (2014). Dynamic decision making: A model of senior leaders managing strategic paradoxes. *Academy of Management Journal*, *57*, 1592–1623.
- Smith, Wendy K., & Lewis, Marianne W. (2011). Toward a theory of paradox: A dynamic equilibrium model of organizing. *Academy of Management Review*, *36*, 381–403.
- Strauss, Anselm L., & Corbin, Juliet M. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory* (2nd edition). Thousand Oaks: SAGE Publications.
- Whitley, Richard (1999). *Divergent capitalisms: The social structuring and change of business systems*. Oxford: Oxford University Press.
- Witt, Michael A., & Redding, Gordon (2013). Asian business systems: Institutional comparison, clusters and implications for varieties of capitalism and business systems theory. *Academy of Management Review*, *11*, 265–300.
- Witt, Michael A., & Redding, Gordon (2014). China: Authoritarian capitalism. In Michael A. Witt & Gordon Redding (Eds.), *The Oxford handbook of asian business systems* (pp. 11–32). Oxford: Oxford University Press.
- Xiao, Chengyong, Wilhelm, Miriam, van der Vaart, Taco, & van Donk, Dirk Pieter (2019). Inside the buying firm: Exploring responses to paradoxical tensions in sustainable supply chain management. *Journal of Supply Chain Management*, *55*(1), 3–20.
- Yin, Robert K. (2014). *Case study research: Design and methods* (5th edition). Los Angeles, London, New Delhi, Singapore, Washington, DC: SAGE Publications.
- Zhang, Yan, Waldman, David A., Han, Yu-Lan, & Li, Xiao-Bei (2015). Paradoxical leader behaviors in people management: Antecedents and consequences. *Academy of Management Journal*, *58*, 538–566.

## Author biographies

Stephanie Schrage is a postdoctoral researcher at Hamburg University of Technology. Her research focuses on corporate social responsibility in global value chains, organizational paradoxes related to sustainability issues, and business ethics in the digital age.

Andreas Rasche is Professor of Business in Society at the Centre for Sustainability at Copenhagen Business School (CBS). He also acts as the Associate Dean of the CBS Full-Time MBA Program. His research focuses on corporate responsibility standards (particularly the UN Global Compact), the political role of corporations in transnational governance, and the governance of global supply networks. More information is available at: <http://www.arasche.com>.