

Adapting to Regulation: Managers' Perceptions and Responses to Evolving  
Regulations in Global Supply Chains

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## **Abstract**

In a time when supply chains are becoming more globally interconnected, businesses are having to deal with upcoming mandatory public regulations. The growing literature on mandatory public regulation views organizations as homogeneous entities, ignoring the internal complexities and the heterogeneous nature of organizations. Questions arise such as how do different actors within large organizations perceive these developments in mandatory public regulation? Are there any tensions that arise? And how are these then managed? This research offers a comprehensive qualitative single case study of a large organization in the beverage sector, demonstrating how various organizational members perceive and manage developing mandatory regulation. It finds that tension exists between financial demands and responsible business practices, and demonstrates various strategies managers have used to address this. This research demonstrates the complexity and heterogeneity of organizations and gives an understanding of differing perspectives, tension, and strategies regarding public regulation developments. By considering the complexity and heterogeneity of organizations policymakers and other similar managers in similar organizations within the beverage sector may use these insights to improve the effectiveness in navigating the developments of complex regulatory environments.

## **Introduction**

Due to the globalization of world markets, the increasing interconnection and the complexity of supply chains organizations have become globally impactful, including in negative ways such as by being involved in human rights violations. As a response, the global community has witnessed increased efforts to address human rights issues within global supply chains through corporate social responsibility (CSR) (Albareda et al., 2008; Andersen & Skjoett-Larsen, 2009; Krajewski et al., 2021), mainly through private Governance initiatives (LeBaron & Rühmkorf, 2017). Private Governance is a form of self-regulation by private actors such as businesses, unions, and Non-Governmental Organizations (NGOs) (LeBaron & Rühmkorf, 2017; Mayer & Gereffi, 2010). However, due to ongoing reports of labour exploitation within supply chains, concerns have been voiced about the effectiveness of these private Governance initiatives (Kuruvilla et al., 2020; Schuessler et al., 2023).

The 2013 Rana Plaza factory collapse in Bangladesh highlighted the urgent need for better regulatory frameworks, as private Governance failed to protect labour rights in global value chains (Chowdhury, 2017; Jastram & Schneider, 2015).

The scepticism about the effectiveness of private regulation provides a backdrop for understanding the recent emergence of mandatory public Governance measures, designed to strengthen corporate accountability (Andersen & Skjoett-Larsen, 2009; LeBaron & Rühmkorf, 2017). Recently, laws encouraging corporate accountability for labour standards in international supply chains have been passed in different countries. Phillips et al. (2016) show that since 2009 55 new national laws have been passed that force businesses to reveal information regarding labour standards within their supply chains. Examples of these acts include the UK's Modern Slavery Act (2015), the French Loi du Vigilance (2017), and the German Supply Chain Due Diligence Act (2021) (Krajewski et al., 2021; LeBaron & Rühmkorf, 2017, 2019; Monciardini, Bernaz, & Andhov, 2021).

While organization and management scholars have shown interest in mandatory public legislation, past literature has focused mostly on the effectiveness of public initiatives (Andersen & Skjoett-Larsen, 2009; LeBaron & Rühmkorf, 2017), regarding the improvement of labour standards within supply chains (Reinecke & Donaghey, 2020; Schuessler et al., 2023). Some have looked at how different actors including business organizations, react to the emergence of public due diligence legislation (Aragòn-Correa et al., 2020; Enquist et al., 2006;

LeBaron & Rühmkorf, 2017; Locke et al., 2009). However, this literature has mostly viewed organizations as homogeneous entities (Locke et al., 2009; Wright & Nyberg, 2017). Little is known regarding the perception of public regulation by different actors *within* organizations. Hence, more focus should be on expanding the understanding of organizational dynamics and the deeper complexity within organizations (Aragòn-Correa et al., 2020; Locke et al., 2009; Mosley, 2017; Wright & Nyberg, 2017). Organizations are complex, heterogeneous entities with multi-interest actors, where different organizational players may have distinct tasks, responsibilities, and perceptions within the organizational setting (Greenwood & Hinings, 1996; Risi & Wickert, 2017), potentially leading to diverse views on the regulations within organizations. There have hence been calls for research that approaches mandatory regulations from managers' perspective (Aragòn-Correa et al., 2020; Monciardini et al., 2021).

Responding to these calls would not least be important because there is evidence that tensions arise when organizations embed CSR within standard organizational practices (Acquier et al., 2011; Risi & Wickert, 2017). Such tensions will likely increase if external pressure to embed CSR rises through emerging public regulation. This research therefore aims to understand how actors within firms perceive and deal with the emergence of new public regulations. This will be done by answering the following research question:

- *How do different actors within a large organization in the beverage industry perceive developments in mandatory public regulation? In particular, what potential tensions arise from these perceptions, and how are these tensions managed?*

Theoretically, the research question will be addressed by looking at organizations as 'political arenas', i.e., complex entities made up of different groups that each promote opinions, objectives, and interests (Mintzberg, 1985; Pache & Santos, 2010). This allows the capture of potentially diverse views of managers, including potential tensions and how these are dealt with. Empirically, qualitative research methods have been applied. Semi-structured interviews with relevant departments from Keurig Dr Pepper (KDP), have been conducted to gain in-depth insights into managers' perspectives, challenges, and experiences related to public Governance. By conducting qualitative research through semi-structured interviews, patterns can be revealed which provides insights into how they interpret and deal with regulatory developments.

This research seeks to contribute to the literature on business reactions to public regulation by addressing how public regulation is perceived *within* organizations, responding to calls for

more qualitative research on organizational complexity in the responses of businesses to public regulation (Aragòn-Correa et al., 2020; Monciardini et al., 2021; Mosley, 2017). It uncovers perceptions and tensions that shape the adoption of CSR measures and strategies to deal with it (Aragòn-Correa et al., 2020; Locke et al., 2009). Understanding tensions and how managers deal with them uncovers the intraorganizational dynamics around public regulation.

The practical relevance of this research provides insights for similar to the focal case study, i.e., a large organization within the beverage sector, policymakers, and various other stakeholders involved in public Governance within global supply chains. Understanding organizational complexity can unveil potential challenges in dealing with public regulation within organizations and, by learning from these, potentially improve legal organizational compliance with their broader ethical and social obligations. Policymakers can enhance regulatory frameworks to encourage ethical practices, and stakeholders can use the findings to support ethical supply chain practices (Mosley, 2017).

The paper is structured as follows. The following chapter is a literature review that explains and defines the important concepts and develops the conceptualization and problematization. Then the methodology of the study is explained including the research design and its procedures. The section following presents the data analysis and the results. Lastly, the discussion chapter interprets the results, the theoretical and practical contributions of the study will be discussed, and the limitations and suggestions for future research will be given.

## **Theoretical background**

This chapter defines key concepts, including private, and public Governance. Extant literature on public regulation and organizational members' responses will be reviewed to, finally, introduce the theoretical framework based on theories regarding the conflicting demands of members within organizations.

### **Private Governance**

Private Governance is a form of self-regulation by private actors such as businesses, unions, and NGOs to regulate their operations and supply chains (Mayer & Gereffi, 2010). Examples are corporate codes of conduct, certification, and reporting systems such as the Global

Reporting Initiative and the UN Global Compact. The emergence of private Governance initiatives can be linked to the rising expectations from society regarding business sustainability and accountability (Locke et al., 2009; Schuessler et al., 2023), as well as the growing concerns around labour exploitation in global supply chains (Kuruvilla et al., 2020; LeBaron & Rühmkorf, 2017). Businesses self-regulate hoping to strengthen their market position, lowering risks, and maintaining a competitive advantage in an increasingly globalised and linked market (Porter & Kramer, 2006). Sometimes, self-regulation responds to civil society pressure, such as NGO campaigns promoting labour rights or environmental sustainability (Bartley, 2007). However, questions have been raised concerning the success of these private regulating measures in considering continuing claims of labour exploitation within supply chains (Kuruvilla et al., 2020; LeBaron & Rühmkorf, 2017; Schuessler et al., 2023). These concerns include weak enforcement procedures, lack of transparency, and the possibility that companies put profits ahead of labour rights (LeBaron & Rühmkorf, 2017; Schuessler et al., 2023).

### **Public Governance and Human Rights Due Diligence**

Unlike private Governance, which is voluntarily implemented and regulated by private actors, the new wave of public Governance includes a new system of rules by which public institutions and authorities can implement policies and exercise authority (Monciardini et al., 2021). Hereby, legally obliging firms to behave and act responsibly making sure they follow social norms and standards in their global supply chains. Non-compliance potentially results in legal and financial consequences such as fines for firms that are put in place by Governmental institutions (Krajewski et al., 2021; LeBaron & Rühmkorf, 2017, 2019). The potential impacts of these new acts are not yet fully understood, despite their innovative nature and the potential for significant impact on business practices (Locke et al., 2009; Schuessler et al., 2023).

Important components of public regulation within supply chains include the implementation of labour laws and regulations (such as minimum wage laws, occupational health and safety standards) (Anner, 2021; Krajewski et al., 2021; LeBaron & Rühmkorf, 2017, 2019), environmental laws and regulations (such as waste management laws, and pollution control laws) (Wright & Nyberg, 2017), trade laws and regulations (such as import/export restrictions, tariffs) (Kim, 2010), and consumer protection laws (such as product labelling requirements, quality standards) (Codron et al., 2005). The most recent public Governance regulations on

human rights due diligence have come into play due to concerns about the effectiveness of private regulation (Kuruvilla et al., 2020; Schuessler et al., 2023). Human rights due diligence is an important term regarding public Governance (McCorquodale & Nolan, 2021). It describes the procedure by which businesses recognise, avoid, reduce and account for the effects they have on human rights throughout their supply chain (Krajewski et al., 2021; LeBaron & Rühmkorf, 2019) Due diligence on human rights is becoming more important for businesses, regulators are introducing regulations requiring due diligence norms (Smit, Holly, McCorquodale, & Neely, 2020).

When it comes to regulating human rights issues in global supply chains, a growing number of Governments are now moving towards public regulation of business human rights practices in their supply chains. Examples include the UK's Modern Slavery Act (2015), the French Loi du Vigilance (2017), and the German Supply Chain Due Diligence Act (2021) (Krajewski et al., 2021; LeBaron & Rühmkorf, 2017, 2019; Monciardini, Bernaz, & Andhov, 2021).

## **Literature Review**

Research into the perceptions of public regulation within organizations suggests mixed responses and outcomes (Monciardini et al., 2021). Some studies suggest that regulations can foster positive organizational behaviour and improve accountability (Bair et al., 2020; McCorquodale & Nolan, 2021), others, point to potential challenges arising from regulatory compliance, including resource constraints and resistance to change (Aragòn-Correa et al., 2020; Monciardini et al., 2021; Sadiq & Governatori, 2015).

When considering how organizations perceive regulations, factors such as manager attitudes and business size, are important (Aragòn-Correa et al., 2020). It is argued that small firms, often have limited resources and may be unwilling to go beyond legal requirements but also due to their distinct qualities such as shorter communication lines and entrepreneurial orientation, may sometimes exceed regulations (Aragon-Correa, 1998). On the other hand, large companies might be resistant to regulatory pressure, particularly in areas with weak enforcement (Aragòn-Correa et al., 2020).

Various studies show that one of the main challenges to better environmental performance is managers' negative attitudes towards mandatory regulation because the regulation imposed is

seen as a barrier (Aragòn-Correa et al., 2020; Cordano, Frieze, & Ellis, 2004; Rivera Ungson, James, & Spicer, 1985). Managers predict and anticipate future public regulation requirements and do this by observing what other organizations in similar contexts are doing (Aragòn-Correa et al., 2020; Fremeth & Shaver, 2014). Based on their perception managers become more proactive in adopting strategies regarding public regulation if they expect stricter rules (Aragòn-Correa et al., 2020).

The literature also mentions external factors which influence a firm's perception of regulation. One key factor is regulatory uncertainty (Aragòn-Correa et al., 2020; Hoffmann et al., 2009). Yet studies have not yet reached a consensus on the degree to which organizations perceive regulatory uncertainty as a barrier. Managers are obligated to comply with regulations regardless of uncertainty. Some managers proactively make changes even if regulations do not exist yet (Aragòn-Correa et al., 2020). However, if regulations might change or be revoked, managers may see no need to alter their company's behaviour. Uncertainty might increase in the phase of the emergence of new regulatory tools, such as the recent wave of mandatory human rights due diligence legislation. Drawing attention to this uncertainty highlights the relevance of this research, providing insights regarding perspectives and tensions within organizations.

Managers also perceive new public regulations and human rights due diligence requirements as a potential for increasing their power over third parties. Establishing a non-negotiable standard through regulation may make it simpler for businesses to discuss human rights issues with stakeholders (McCorquodale & Nolan, 2021). McCorquodale et al. (2017) indicates a growing understanding among businesses that human rights due diligence requires a comprehensive approach from within the organization to effectively address human rights issues in their supply chain.

### **Theoretical Framework: Conflicting Demands within Organizations**

To respond to differing perceptions among organizational members, this thesis uses a framework that captures their differing interests.

It is positioned in wider literature that sees organizations as political arenas. Organizations are viewed as arenas of conflict where groups compete for power and influence. According to

Mintzberg (1985), organizations are social systems with power dynamics, conflicting interests, and informal relationships. To accomplish organizational goals, managers must negotiate these power dynamics by balancing conflicting interests (Mintzberg, 1985).

Partly because of this internal complexity and partly because of established adherence to institutional norms, organizations frequently resist change (Greenwood & Hinings, 1996). Organizations perceive regulation at different rates and in different ways (Monciardini et al., 2021), depending on their internal structures and degree of exposure to external factors (Greenwood & Hinings, 1996). This shows how important it is to take into account internal organizational dynamics as well as external institutional influences while researching organizational change. This chapter reviews the literature on differing perceptions on the environmental and organizational level and emphasizes the challenges organizations face in balancing tensions between goals and stakeholder interests.

### **External Environmental level**

The external environment refers to the broader context in which an organization operates, including various factors and forces outside the organization's direct control (Greenwood & Hinings, 1996). Due to the complexity of political, regulatory, and technological changes in the external environment organizational change and adaptation have become a central research issue within the literature. Organizations need to cope with rapidly altering contextual forces, such as emerging public regulation (Monciardini et al., 2021), which will become key determinants of competitive advantage and survival (Greenwood & Hinings, 1996).

Organizations experience tensions resulting from their external environmental level, such as tensions between financial and responsibility demands (Acquier et al., 2011; Delmas & Toffel, 2008; Mintzberg, 1985). These external environmental-level demands arise from various stakeholders, including shareholders, each with their expectations and interests (Enquist et al., 2006). In public companies, shareholders' main goal is to make a profit from their investments (Friedman, 1970; Stout, 2012). This means these companies prioritize making profits, sometimes ignoring ethical or legal concerns (Wright & Nyberg, 2017). However, the argument is also made that businesses must consider other stakeholders' priorities focusing on their profitability, financial demands, and commercial performance due to fierce competition in their industry (Friedman, 1970; Stout, 2012). This creates a tension between focusing on profits and doing "what's right".

On the one hand, stakeholders find it important that organizations give priority to ethical business operations, environmental sustainability, and adherence to moral standards. Stakeholder demands might include Governments passing mandatory regulations such as the supply chain due diligence acts, that codify societal expectations around corporate responsibility in supply chains. These laws are likely to increase the conflict between financial demands on the one hand and responsibility demands on the other hand. Especially for global supply chains the complexity regarding multiple political and economic trade-offs increases (Berliner et al., 2015). With many countries and laws, involved, organizations need to consider not just the economic factors but also the political environment and potential regulations (Schneiberg & Bartley, 2008). Organizational practices and behaviours can be shaped by regulatory pressures, which in turn can affect how organizations react to expectations and demands from the external environment (Greenwood & Hinings, 1996).

### **Internal Organizational Level**

Balancing conflicting expectations in the organizational environment may lead to tensions on the organizational level (Acquier et al., 2011; Risi & Wickert, 2017). It is said that organizations will prioritize short-term profit maximization over long-term sustainability goals as organizations may be inclined to maintain existing practices and strategies that are financially lucrative in the short term, even if they conflict with responsible environmental practices (Wright & Nyberg, 2017). The tendency towards this business as usual as mentioned by Wright and Nyberg (2017) can hinder organizations' ability to effectively respond to responsibility pressures, by reinforcing conventional practices, prioritizing short-term gains over long-term sustainability, and resisting transformative changes that are necessary to address complex environmental challenges.

The need to balance differing external forces is what causes internal tensions (Greenwood & Hinings, 1996). Tensions develop as organizational stakeholders have diverse interests, priorities, and expectations (Howard-Grenville, 2006; Wright & Nyberg, 2017). Different functional managers may view public rules inside supply chains differently than others. Aragòn-Correa et al. (2020) state that managers choose to which level they participate in regulation depending on the potential benefits to their departments. For instance, CSR Managers may believe that public regulation within global supply chains is necessary for encouraging ethical business practices and guaranteeing compliance with moral norms (Acquier et al., 2011; Morsing & Schultz, 2006; Risi & Wickert, 2017) due to having a focus

on sustainability and ethics. Procurement managers and accountants, on the other hand, might put operational performance, cost-cutting, or risk management ahead of moral considerations (Acquier et al., 2011; Morsing & Schultz, 2006; Reed, 1996; Risi & Wickert, 2017). Time, finances, and human resources are needed for all these tasks, with different departments competing for them. This makes creating alignment around compliance with these demands nearly impossible to achieve, as satisfying one defies the other (Pache & Santos, 2010). Misalignment in values can also lead to strained relationships with stakeholders, which can create trust issues and reputational problems (Wood & Jones, 1995).

It is therefore important to take into account the internal complexity of organizations, with organizations differently organised regarding functional tasks and job status (Greenwood & Hinings, 1996; Monciardini et al., 2021). Factors such as value commitments and power dependencies may also play a significant role in driving the adoption and perception within organizations (Greenwood & Hinings, 1996). Prior studies have shown how boundaries between departments reinforce departmental boundaries, resulting in different perspectives within the organization (Lawrence & Lorsch, 1967). As a result of this differentiation, groups aim to secure resources that favour their interests (Greenwood & Hinings, 1996; Mintzberg, 1985). The strong attachment or dedication that individuals or groups within an organization have towards certain values, principles, or beliefs is defined as value commitment (Greenwood & Hinings, 1996).

Regulatory pressures may thus cause tensions but also can drive change within organizations (Greenwood & Hinings, 1996). Organizations are forced by regulations to modify their procedures and practices, which results in organizational changes (Greenwood & Hinings, 1996; Monciardini et al., 2021). For these changes to occur, there needs to be an environment that allows for the implementation of these alternatives, meaning that the necessary resources, support, and conditions must be present (Fligstein, 1991). Here, collaboration between organisational departments is important to foster common goals (Laycock, 2005). According to Greenwood and Hinings (1996), a positive perception towards mandatory regulation is more likely to occur in organizations with competitive or reformative value commitments and favourable power dependencies.

This study takes the emerging public regulation as an opportunity to study the intraorganizational tensions arising from heightened external pressures between financial and responsibility demands. When diverse organizational members' interests and aspirations clash

with legislative obligations, these tensions might occur. These tensions may have detrimental effects. It is therefore important to understand these further, including how these are dealt with on the organizational level.

## **Methodology**

The following chapter explains the case organization and the research design. Then the data collection procedures will be discussed. Thereafter, it is explained how the data was analysed and finally, the ethics regarding this research are discussed.

## **Case Organization**

The organization studied for this case study is Keurig Dr Pepper Inc. (KDP), a leading beverage company in North America with annual revenues of more than \$14 billion and approximately 28,000 employees. KDP holds leadership positions in soft drinks, speciality coffee and tea, water, juice and juice drinks and mixers. The organizations' portfolio consists of more than 125 owned, licensed and partner brands (Modern Slavery Statement, Updated March 2023). In 2020 KDP ranked 17th out of 43 companies, disclosing more information on its forced labour policies and practices than its peers, except in Worker Voice, Monitoring, and Remedy. The organization's score is based on its strong performance in Commitment & Governance making it an interesting organization for this case study. KDP is chosen for its wide range of products, all of which must comply with strict regulations. Second, effective compliance systems across many levels and nations are required due to large-scale operations and global presence, which adds further complexity to the examination of compliance strategies. Lastly, KDP offers insights into ethical standards and best practices through its compliance programmes and dedication to CSR.

## **Research Design**

This study opts for a qualitative research design using a single case study at KDP. A single case study allows for in-depth exploration of complex phenomena within a specific context (Flick, 2007). Analysing complicated phenomena in-depth within a particular setting is made possible by single case studies. Using a single case study the dynamics of conflicting interests and views relating to mandatory public regulation can be examined. The research aims to

determine how differing perspectives affect how organizations assess their understanding of developments regarding mandatory public regulation, and more specifically understand how actors within firms perceive and deal with the regulations. The goal is to develop a framework by answering the research question:

- *How do different actors within a large organization in the beverage industry perceive developments in mandatory public regulation? In particular, what potential tensions arise from these perceptions, and how are these tensions managed?*

Qualitative research is suitable as it allows us to examine personal experiences, viewpoints, and attitudes in detail (Sofaer, 1999), providing insights into how different organizational members interpret and respond to regulatory developments. Qualitative research makes it possible to find patterns between these perceptions from which overlapping themes can be derived (Sofaer, 1999). Furthermore, qualitative research can facilitate a deeper comprehension of the developments regarding mandatory public regulation by exploring the perspectives and experiences of different members within the organization (Silverman, 2017).

### **Data collection**

Seven semi-structured interviews with representatives from different departments within a KDP were conducted as part of the data collection procedure. These departments were chosen by purposeful sampling to provide a representative sample and include supply chain, sustainability, human resources, global sourcing, legal, quality, and finance. Semi-structured interviews offer a flexible approach to gathering the information needed to investigate participants' viewpoints while maintaining consistency in the data collection process (Flick, 2007).

General questions were asked about the job function of the respondent, how long the respondent has been doing the job and if the respondent works together in a team or alone. These questions give an overall view of the job function and the scope of responsibilities. Secondly, questions were asked about how managers view CSR initiatives to understand their perspective of the external environment. Thereafter, questions were asked on their perspective of the introduction of mandatory regulation and how this integrates within their work. The goal is to establish the perception of different actors concerning the introduction of mandatory regulation. The transcription of the interviews was noted.

Internal documents, policies, and reports from the organization regarding CSR initiatives have been analysed. By analyzing and evaluating the data within these documents meaning, understanding and empirical knowledge have been extracted (Bowen, 2009) that help to determine how tensions affect how organizations assess their understanding of developments regarding mandatory public regulation, and more specifically understand how actors within firms perceive the law depending on their position in the firm.

### **Data analysis**

An inductive qualitative approach is used to identify relevant patterns and themes. The data analysis started by reading the different transcripts of the different managers multiple times. The Gioia method (Gioia et al., 2013) served as the basis for the study. This method uses systematic coding and categorising of interview transcripts and documents to find important ideas and relations. The Gioia method focuses on capturing and modelling informants' meanings, emphasizing the importance of understanding how individuals make sense of their experiences (Gioia et al., 2013). This is in line with this research as the main objective is to shed light on the various ways that various players within organizations perceive mandatory public regulation, as well as the underlying dynamics and mechanisms that shape their perspectives. The data collected was analyzed using ATLAS.ti.

Data analysis involved analyzing the transcripts of the various interviews. This involved building a data structure by progressively abstracting data, starting with first-order codes derived from informant perspectives. These were the perceptions of the emerging regulations that the respondent shared with the researcher. Hereafter, second-order themes, and aggregate dimensions (Gioia et al., 2013) were built. This was done by identifying commonalities among first-order themes. Derived from the relationships between the themes second-order concepts were derived (Figure 1). It's important to identify tensions within the data. This is used to determine how conflicting interests affect how organizations assess their understanding of developments regarding mandatory public regulation.

### **Research Ethics**

This section addresses how the research adheres to the principles of research ethics by following the five principles of research ethics (Smith, 2024).

1. Discuss intellectual property frankly.

As the sole author of this research, there is no discussion on the intellectual property rights regarding authorship and credit allocation.

2. Be conscious of multiple roles.

As there is no relation between the author and participants, collaborators, or stakeholders clear boundaries and expectations were established and communicated to the parties involved.

3. Follow informed consent rules.

The participants received thorough information regarding the goals, methods, risks, rewards, and rights related to their involvement in the study. The participants were asked for their informed consent, guaranteeing their autonomy to choose to participate voluntarily.

4. Respect confidentiality and privacy.

Throughout the research process, participant privacy and confidentiality were carefully maintained. Guarding private data against illegal access or exposure was seen as important in this research. Participants were guaranteed any shared data would be anonymised.

5. Tap into ethics resources.

Institutional review boards, ethical guidelines, and professional codes of conduct that were accessible were used to ensure that moral standards were upheld to maintain the highest standards of study integrity and negotiate any ethical dilemmas (Smith, 2024).

## Results

The findings of this research provide insights into how public regulation is perceived and managed within KDP, considering organizational complexity. Different perspectives were found to exist within the organization and will be presented in the following chapter. The results show that the interviewees experienced tension between financial demands and responsible business practices. Lastly, solutions and management of this tension will be presented to show how the organization deals with the tension.

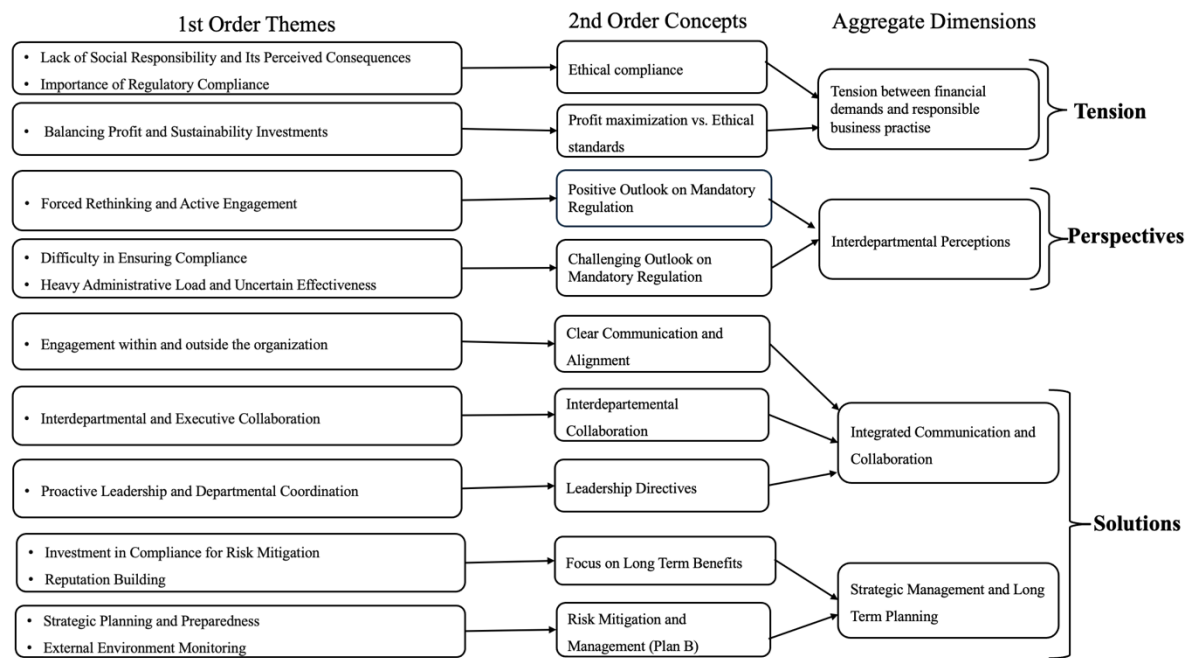


Figure 1: Data structure.

### Interdepartmental Perspectives

The findings in this study show that members within the organization experience different perceptions regarding compliance with mandatory regulations. This section explores the findings regarding the perceptions of mandatory regulations. These include *legislation as guidance* and *legislation as a response to failed audit systems*.

#### *Legislation as Guidance*

Legislation as guidance describes the perspective that views mandatory regulation as a helpful resource for decision-making and direction. The findings show that some managers value mandatory regulations as they provide a regulatory framework and clear guidance. This is supported by the respondents' statements. For instance, the Quality Manager said:

*I don't mind the legislation. It kind of gives us a structure to format our processes around as well to ensure that we're compliant. (...) you literally look to the legislation and go, okay, what do we have to comply to? What do we need to place?*

Here the mandatory regulation serves as a guideline. This helps the managers take away some uncertainty. This is strengthened by the Operations Procurement Manager who said:

*Regulation often focuses on decreasing risks associated with global supply chain.*

By decreasing risks, managers can benefit from more certainty and clearer guidelines.

### ***Legislation as Response to Failed Audit System***

The second finding is that managers perceive private regulation as flawed and see the need for public regulation. This chapter explores these perspectives.

The Finance Manager expressed the need for mandatory public regulation:

*Self-reporting is flawed. I think that is somewhere where the government for the greater good should enforce more stringent rules and get more involved.*

The Supply Chain Officer also sees the need for more public regulation as he said:

*I think there'll be more regulation because unfortunately, companies in themselves aren't going to act without being regulated.*

A number of the interviewees mentioned that mandatory public regulation should be perceived as positive as it is important for the growth of sustainability and has a positive impact. For example, the Sustainability Manager mentioned sustainability as a responsibility of organizations:

*I think (Mandatory Regulation) is good for manufacturing companies, you know it's our responsibility to try and be as responsible as we can in terms of regulation and sustainability. So, I think it's going to have a positive impact on the environment. I think, if a company can do you know the most within their power to be as responsible and sustainable as they can, that is a good thing.*

These mandatory public regulations thus also have an element of boosting intrinsic motivation regarding the topic. The Sustainability Manager adds:

*I think they're great (Regulation). (...) And I think the more work that companies do, and time and effort and money put into these. In terms of adhering to these regulations, the better it's going to make you know, more impact on workers globally. Yes, I'm all for it.*

Similarly, the Legal Manager explained that mandatory public regulation leads to more engagement around the importance of human rights within the supply chain:

*What I have seen is it is forcing companies to rethink how they do things. (...) It is really forcing companies to get their hands dirty and engage with the issue and grasp it.*

The findings show a recognition among managers of the importance of mandatory public regulation, particularly in areas such as sustainability and human rights. Various managers emphasize the importance of government intervention to enforce stricter rules, viewing regulations as important for ensuring responsible practices and positive impacts.

### **Challenging Outlook on Mandatory Regulation**

The findings show that mandatory regulations are perceived as challenging due to the increased amount of work, significant resources required for compliance, and the complexity of globalization in supply chains. Although the managers generally agree to public regulation, they struggle with its implementation and complexity.

### ***Increased Workload***

The results suggest an increase in the number of tasks, duties, or responsibilities that managers have to finish in a specific amount of time due to the implementation of mandatory regulation. The Quality Manager said:

*We have more work. (..) It could be a burden on smaller manufacturers, (...), where it's only 2 or 3 people working in it to make sure that they're compliant with everything. I can see it being harder for them, whereas I have a team of people.*

Furthermore, the Legal Manager mentions the increased workload as she said:

*You spend more time trying to deal with the compliance aspects and there's a huge regulatory burden and administrative burden in doing that anyway. (...) It's a pain, it's burdensome, it's administratively intense.*

It takes time and effort to manage administrative chores and comply with regulations, which presents substantial problems and consumes time increasing the managers' workload. Building on this the legal manager also mentions that due to the increasing workload mandatory due diligence regulations *prevent innovation*.

## ***Resource Allocation***

Managers mention the struggle of allocating resources effectively to compliance due to the complex demands of meeting regulatory requirements. This challenge arises from the need to prioritize and optimize resource allocation for differing goals. The HR Acquisition Manager illustrated this in the following way:

*These kinds of topics (sustainability) often revolve around operational priorities and resource allocation.*

The sustainability manager expresses that differing perspectives between departments strengthen divisions within an organization, causing different perspectives and leading groups to compete for resources that benefit themselves:

*The biggest challenge is getting that initial green light from those at the top who are like, actually, it makes business sense. Let's do it. Do we want to give up millions of dollars out of this budget (towards sustainability)? (...) What we're asking for is, is a lot of money. And then they'll be other others that will have that opinion like maybe a finance manager, which is like does it make business sense.*

Here the sustainability manager shows that he has to convince top management to allocate resources towards sustainability and show the importance of due diligence regulations. The Legal Manager mentioned that balancing these financial targets with long-term sustainability goals has to be thought about and how to allocate resources efficiently:

*We are still very focused on not spending more money than they need to because they need to keep an eye on expenses (...). How much is it going to cost us and how long it's going to take to roll it?*

Here he explains that the organization may find it difficult to balance CSR initiatives with other goals, which can cause tensions over how to allocate those resources. However, the introduction of mandatory due diligence regulation has increased leverage of the Sustainability team:

*I guess my role is it can be a struggle, with your colleagues who are in procurements and have an agenda of the cheapest supplier from a cost perspective because they are risky from responsible sourcing point of view. Now the more spotlight on the sort of due diligence helps us as a team.*

Here he explains that the procurement teams face pressure when sourcing from suppliers, especially in regions with less transparency, which can necessitate increased auditing and potential supplier changes.

### ***The Complexity within Global Supply Chains***

The interviewees mentioned the challenges regarding the complexity of global supply chains. It is said that due to globalization companies have become more impactful worldwide, leading to growing complex supply chains (Phillips et al., 2016). On this topic, the supply chain officer said:

*The focus is on companies like us to verify that everybody that we deal with is compliant, that's quite hard.*

The supply chain officer finds it challenging for organizations to be able to audit all of their suppliers as there are so many different rules and regulations in different countries:

*We operate globally, it'd be much easier if there's actual global standards. So, when different countries have different regulations and we need to be compliant with those when we're selling in those countries It's quite a lot for the regulatory team to figure out, what's the baseline.*

He further discussed the challenge of operating within a large supply chain:

*If an organization has distributors in between the organization and the place that they are buying from and ensures there is a traceability and visibility through the supply chain end to end. That supply chain complexity and dealing with a large number of vendors adds to the problem.*

Constantly auditing and potentially having to change suppliers adds pressure on the procurement team, supply chain, and finance departments. The finance team, in particular, faces challenges in creating accurate financial forecasts when costs fluctuate due to supplier changes.

The Legal Manager emphasizes these challenges:

*We need to be looking at having a more sustainable supply chain. The due diligence and going through the layers of the supply chain and I think that's it's trying to unpick the international commerce that has grown up over the past 50, 100 years and that is incredibly complicated.*

The results show that these different perspectives within the organization can lead to challenges as each department has to navigate the balance between regulatory compliance and operational efficiency.

## **Tension between Financial Demands and Responsible Business Practice**

The participants experienced tension between financial demands and responsible business practices. This refers to the tension the organization faces when trying to balance the pursuit of financial goals while having to adhere to ethical and sustainable business practices. This tension involves *ethical compliance* and the balance between *profit maximization vs. ethical standards*.

### ***Ethical compliance***

Ethical compliance involves adhering to ethical standards and regulations in business operations, and ensuring practices align with broader ethical principles and societal expectations. To understand the tension between financial demands and responsible business practice the findings show how public regulation and ethical compliance are perceived within the organization.

The organization and its managers state that private regulation is “not enough”.

The Sustainability Report 2022 demonstrates the current complexity of ethical issues:

*Many environmental and social issues facing our world today are complex and interconnected, requiring increasingly robust Governance structures to support meaningful solutions.*

On private regulation, the Finance Manager said:

*There aren't maybe any implications if a company isn't socially responsible or having to do the due diligence.*

Lacking enforcement procedures and transparency was mentioned often by the interviewees.

The Legal Manager gave shape to this argument:

*The challenge though is corporates will try and put forward a positive statement and sometimes it can be a bit of misdirection rather than seriously engaging with the issue unless they're forced to. (...). It is not enough that you just have a sustainability policy. You need to do due diligence on your supply chain.*

In addition, the organizations' sustainability report expresses the importance of public regulation and ethical compliance:

*KDP participates in the public-policy-making process within the U.S. at both the state and federal levels of government. (...), since we recognize that individual company action often needs to be supported by enabling public-policy intervention.*

The Quality Manager also expressed the importance of Public regulation by stating:

*Regulatory compliance, especially concerning labour rights and due diligence, is important.*

In addition, the findings show that the organization sees the importance of ethical compliance. The organizations' code of conduct states:

*KDP is committed to high standards of social and environmental responsibility and ethical conduct.*

Also, the Sustainability Manager adds:

*We feel genuinely genuine and passionate about this kind of work, but it also makes business sense, it does.*

By demonstrating this importance, the organization communicates its core values. Also, the Quality Manager expressed the importance of ethical compliance and said:

*We are committed to continuous improvement and are actively exploring ways to strengthen our compliance efforts. This includes bettering our due diligence processes, increasing transparency in our supply chain, and engaging with stakeholders to address social and environmental risks.*

The Supply Chain Officer supported this adding the organization wants to do more than just the bare minimum regarding due diligence:

*Our goal is not merely to avoid being at the bottom level; we strive for excellence and continuous improvement.*

In sum, these findings show that the managers are aware of the importance of public Governance and ethical compliance.

### ***Profit maximization vs. Ethical standards***

The findings show a tension between the financial demands of compliance and other business priorities. Compliance often requires significant financial investment, which can be challenging to justify to stakeholders primarily focused on profitability (Stout, 2012). This was stated by the Quality Manager:

*It was more of a frustration and challenge because our costs were going up to meet regulations.*

These challenges were highlighted, the Finance Manager stated:

*We are doing a lot of stuff to make improvements (regarding sustainability), but maybe 90% is to deliver a profit and 10% maybe is to do sustainability, (...). They're to make money. (...). And if the business isn't doing particularly well if we're not delivering on*

*our targets. A dilemma could come up. Do we continue with the responsible thing to do? But then it has a profit impact and sometimes (...) in the business there are financial targets you have to hit. And I don't think you don't get a free pass; I miss my profit targets, but I was very responsible.*

Building on this the Legal Manager addressed putting operational performance, cost-cutting, and risk management ahead of moral considerations. She describes the tension as a cost-benefit analysis and states:

*Some organizations say how much is it going to cost us to make this change? We have to hire 50 people and it's going to cost us whatever it's going to cost us. What's the penalty of non-compliance? Well, it's going to cost us half a million to do this. Or the penalty is 10,000. You know what? We'll take the risk.*

However, not all managers agree that putting Key Performance Indicators (KPIs) ahead of moral considerations is always the right choice. The Supply Chain Officer mentions compliance has moved on from this and is more seen as a cost of doing business. It's a cost you can't avoid. The Sustainability Manager expresses the importance of sustainability and it making business sense:

*There's a lot of people who look at profit and wanting the company to be profitable, nowadays, for this, we will have to invest in sustainability, this is going to cost money.*

The Supply Chain Officer sums up the tension between profit maximization and ethical standards and states:

*Whatever you think ethically, there are legal obligations, but we need to comply with those obligations which are changing. So, you know, we have to spend money tracking the changes and making sure we're compliant. And that's sort of the cold legal side of things. But ethically, you come back down to sort of corporate culture and also your culture. What do you want to do and hopefully you work at a company where the cultures are reflective of my own.*

These findings show the complex balance organizations have to deal with between maximizing profit and adhering to ethical standards, highlighting the ongoing challenges and evolving landscape of corporate compliance and responsibility.

## **Strategies to Address Tensions**

The interviewees also mentioned various strategies to address the experienced tensions. These strategies include Integrated Communication and Collaboration, Strategic Management and Long Term Planning, and Risk Mitigation and Management.

### **Integrated Communication and Collaboration**

The first strategy found to resolve the two tensions is Integrated Communication and Collaboration. This can be divided into three different approaches, Clear Communication and Alignment, Interdepartmental Collaboration and Leadership Directives.

#### ***Clear Communication and Alignment***

The findings show that managers find it important to communicate clearly and align their values and goals as an organization as a whole.

Regarding navigating the tension experienced within the organization the Supply Chain Officer said that the following is important:

*Creating connections between the different departments and making sure that everybody understands why things are happening. I think a lot of it is about communication and alignment.*

He adds to this by saying that open communication internally is not enough as there also has to be open communication externally:

*Having open communication channels with the people that either influence or can make the laws.*

This is said in the context that having these external open communication channels with lawmakers can help organizations understand what the developments are and how they will be able to comply effectively. The sustainability manager adds to the importance of these open communication channels, specifically that the organization will be able to create better value when these open channels are there:

*We do discuss the importance of transparency and the potential impact on our supply chain operations. (...) Trying to enhance transparency throughout our value I would like to think that we try to improve continuously.*

By enhancing the transparency with these open communication channels, the organization wants to enhance the value created. This transparency prevents misunderstandings and fosters

an effort towards common objectives. This argument is then strengthened by the Legal Manager as she stated:

*Collaboration and alignment across departments are always important not just regarding compliance.*

Managers mentioned the importance of different departments understanding the overall goals and the reasons behind certain decisions, preventing misunderstandings and aligning their efforts towards common goals. Here, alignment through open communication, ensures departments can work more efficiently and effectively, contributing to the organization's strategic goals and long-term success.

### ***Interdepartmental Collaboration***

The findings suggest that having regular meetings and discussions between different departments helps in addressing legal requirements and developing compliance strategies collectively. The interviewees suggest that this collaborative approach ensures that different perspectives are considered, and one coherent strategy can be developed. Firstly, the Corporate Responsibility Report 2022 states that:

*KDP has cross-functional teams, including Procurement, Quality, Sustainability, Marketing, Research & Development and Legal, that collaborate to meet our established quality requirements and sustainability goals.*

The Quality manager also mentions this as she said:

*You're very involved in every department. (...). I also work closely with our sustainability team.*

This demonstrates the interdepartmental collaboration that is present within the organization regarding the understanding of new mandatory public regulations. The interviewees explained having these meetings and discussions about the mandatory public regulations is important to collectively get everyone on the same page. The Sustainability Manager briefly explained how interdepartmental collaboration contributes to resolving tension:

*We have discussions and interactions with colleagues and stakeholders regarding mandatory regulations. We sometimes have meetings between different departments to address legal requirements and develop strategies for compliance. During these meetings, discussions have come up which have both been positive and constructive.*

The Procurement Operations Manager adds to this by mentioning what is discussed between departments:

*New regulations are discussed, their potential impact on our supply chain, and the steps needed to adapt our procurement processes accordingly. (...) This is just to understand the implications for our operations.*

The importance of collaboration among departments is important, particularly in the context of sustainable supply chain practices and the development of mandatory regulations. The Officer Supply Chain noted:

*If you have those conversations, everyone understands the costs are going to change because we've made some decisions. And then when everyone's aware of that, it kind of decreases the tension.*

By having these conversations the different managers know what the implications are for their respective departments and can see the bigger picture. The importance of the collaboration between departments is illustrated by the Sustainability Manager as follows:

*The importance of collaboration among departments and higher up in organizations can be important regarding sustainable supply chain practices and mandatory regulation developments.*

Various departments contribute diverse perspectives to developing coherent strategies. Regular interdepartmental meetings, highlighted by interviewees, foster alignment, ensure understanding of regulatory implications and support a unified approach.

### ***Leadership Directives***

Leadership plays an important role in pushing sustainability and compliance within the organization and emphasizing the importance of aligning values and goals from the top down. The results show that the directives from top management ensure that departments understand the importance of compliance and sustainability, thereby reducing potential tensions arising from mandatory public regulations.

The Sustainability Report of 2022 states:

*While the full Board is responsible for oversight of KDP's overall ESG strategy, a committee of the Board, along with KDP's Executive Leadership Team (ELT), Sustainability Governance Committee, Chief Sustainability Officer and cross-functional KDP teams that include leaders from all areas of the business, provide specific management, advisory, accountability and collaboration capabilities in support of ESG efforts.*

This approach ensures that sustainability and Governance are prioritized and effectively managed across the entire organization. The sustainability manager emphasizes the importance of top management:

*It's all about having the right people at the helm who understand the importance of sustainability and being compliant. (...) So, I think that's the key thing. You know you want the people right at the top who are the decision makers to buy into it and cascade the messages down. (...). Right at the top. All the senior leaders, come from the Director level. They have strong involvement and buy-in.*

The Legal Manager takes this one step further and highlights the need for CEOs to guide organizations to go beyond shallow sustainability efforts, consider the broader impacts of their business practices, and take proactive steps to integrate sustainability throughout their operations:

*It is at the CEO level saying we need to do more on sustainability and sure we do great things report once a year how hard could it be. (...) It's not just about marketing or claims it's not a glossy brochure it's back to who we buy our products from, who are we partnering with? What are they doing? What are we doing to influence that and rethinking kind of from cradle to grave what that looks like.*

The organization and its top management have a strong value commitment to sustainability as demonstrated in their Sustainability Report 2023:

*In all we do, we are committed to acting responsibly, (...). We focus on our greatest opportunities for impact on the environment, our supply chain, the health and well-being of our consumers and our people and communities. We are committed to transparency and disclosure of corporate responsibility strategies, programs, progress and Governance. (...) We recognize our responsibility to protect human rights and are committed to exemplifying good labour practices throughout business activities.*

This statement shows a commitment to ethical behaviour and accountability throughout the organization regarding responsible business practices.

These findings show that leadership prioritizes sustainability and Governance. This is emphasized by the Sustainability Manager, Legal Manager and the organization's Sustainability Report. It is seen that the top management is driving ethical behaviour and accountability throughout the organization.

## **Strategic Management and Long Term Planning**

The second strategy found to resolve the two tensions is Strategic Management and Long Term Planning. This can be divided into two different approaches, *focus on long-term benefits and risk mitigation and management*.

### ***Focus on Long Term Benefits***

The interviewees mentioned the focus on long-term benefits which involves prioritizing actions that enhance brand image and reputation through strategic, long-term planning. The findings show that by considering long-term impacts, organizations can ensure a positive reputation and build trust with stakeholders.

The managers mentioned enhanced reputation as a justification for responsible business practices in the long term a few times. For example, the Quality Manager said:

*I see compliance as a framework for us to follow with these regulations and it is an opportunity to enhance our reputation and build trust with consumers and stakeholders. (...) Producing “unsafe products”, the brand name goes to mock.*

The Finance manager agrees with this:

*From a financial perspective, we will have to allocate resources to support our compliance efforts, and also recognizing that investment in ethical business practices is not only a legal requirement but is also important for our reputation. (...) By adhering to these standards, we not only mitigate risks but also strengthen our reputation as a responsible corporate citizen.*

Additionally, the Sustainability mentioned:

*If you think about protecting workers’ rights in our supply chains, if something hits the press, related to our supply chain, Dr Pepper is a pretty big brand, as are our products in the US, so it can cost us a lot more in the long run, in terms of the core of public opinion. (...) Sustainability is now becoming a huge reputational issue as is diversity, equality, inclusion and the modern human supply chain and kind of human rights piece.*

Next to brand reputation, the managers recognize the importance of long-term sustainability over the prioritization of long-term goals. On this, the Supply Chain Officer said:

*What I'm trying to say is if you set the bar higher, then you also may be anticipating what might come from a legislative perspective. Don't migrate to the lowest*

*denominator. What's the least that I can get away with and be compliant? Because you're always going to be chasing (compliance).*

This demonstrates that organizations should consider their standards of acceptability when dealing with compliance issues. Rather than adhering solely to local laws, the Supply Chain Officer advocates for setting higher ethical standards. This approach aligns with the organizations' values but also helps anticipate and adapt to potential changes in regulations in the long term.

### **Risk Mitigation and Management**

The findings in this study show that organizations are proactive in identifying potential compliance challenges and preparing for them through risk mitigation strategies. This includes *being adaptable* to changing regulations and market conditions, having *flexible and resilient supply chains*, having *backup plans* and, incorporating a *wait-and-watch practice*.

#### ***Adaptable Supply Chain***

The interviewees suggest that anticipating and being adaptable to changing regulations and market conditions is key in dealing with the identified tensions. The Finance Manager expresses this:

*The organization has been involved in various proactive measures aimed at anticipating and preparing for stricter regulatory requirements. One key initiative I have heard of has been to conduct audits to identify any potential areas of concern related to human rights, including child labour, and forced labour. (...) I envision our organization to adapt to ensure compliance with the many regulation requirements. As a finance guy, I would hope and reckon we will continue to strengthen our due diligence processes.*

The supply chain manager adds to this as he mentions that when anticipating *you know what's coming, it's easier to easy to react to*. By anticipating changes the organization may be able to better manage and mitigate risks, ensuring smoother transitions and continuous compliance, by anticipating future regulatory requirements. The Procurement Operations Manager strengthens this argument by stating:

*Staying ahead of the game, understanding what is coming, preparing for an assessment, that's I think you know that's I think where you can have an advantage.*

The Procurement Operations Manager says compliance management requires the same level of planning as business continuity planning:

*Business continuity planning. You need to understand the choke points in your supply chain, and you need to have a detailed plan for each of those choke points. This is no different when it comes to compliance in my eyes.*

The organization also *engage directly with policymakers* according to the Sustainability Report of 2022. Lastly, the HR Manager also reiterated the importance of hiring people that can ensure compliance:

*I recruit and retain talent and if these individuals have the skills and expertise necessary for effective compliance, this can ensure compliance for the future. (...) We've hired people within our sustainability team here. For a lot of companies you'll find, I think that they don't have a specialised sustainability team. They have someone who might do sustainability or health and safety and sustainability with no qualification in sustainability. So, they're kind of just reading the guidelines that are given to them and then implementing maybe tick box exercises.*

Here the Procurement Operations Manager underscores the importance of detailed planning, whilst the HR Manager underscores the significance of recruiting talent with specialized expertise to ensure effective compliance practices within the organization.

### ***Flexible and Resilient Supply Chain***

The findings demonstrate the importance of having a flexible and resilient supply chain. The Procurement Operations Manager mentions:

*The most efficient flexible and resilient supply chains are the ones that are going to last longer. (..) The companies that are good at making the most of those resources and making the changes and adjusting in steering are the ones that are going to have success.*

The Corporate Responsibility Report 2022 also states *transparency will demand flexibility in our approach to setting our glide paths and achieving targets.*

The interviewees mentioned the importance of having a backup plan or as most of them called it “a plan B”. The quality manager stated:

*You need to have a plan B. For this have to be very close to the market and do your research for what is coming. (...) It all comes down to risk mitigation and risk management.*

The procurement manager also mentioned the importance of a plan B:

*Everybody who had a plan at Plan B, everybody who was quick and resilient, make the most out of it. So, it's about how you align in the organisation to have that resilience built-in and make sure you have your plan B.*

In sum, the findings show the importance of having a flexible and resilient supply chain and state the importance of having a plan B.

### ***Wait and Watch Practise***

Lastly, two managers discussed the "wait and watch" method, where they predict and anticipate future public regulation by observing similar organizations.

The Quality Manager states:

*A wait-and-watch practice and seeing what the big organisation is doing? (...) let's follow that so that we are not the outliers. But let them do that first and then we follow.*

The finance manager also mentioned this and said:

*We also look at other organizations to try to stay informed about upcoming regulatory changes.*

However, he said it would be better if the organization were a leader and would not have to follow the wait-and-watch strategy:

*I guess KDP could do better if it was a leader in that rather than just following whatever our competitors are doing.*

In sum, the managers mention that these strategies all help resolve the two tensions between financial demands and responsible business practice as well as the interdepartmental tensions.

## **Discussion**

This chapter is structured as follows. First, the results are interpreted and the research question is answered. Then the theoretical and practical contributions of this study are discussed, limitations are mentioned, and suggestions are made for future research.

### **Interpretations of the results**

In this research, the aim was to address the research question: *How do different actors within a large organization in the beverage industry perceive developments in mandatory public*

*regulation? In particular, what potential tensions arise from these perceptions, and how are these tensions managed?*

Results show that different views on mandatory regulation exist within organizations, highlighting different tensions and how managers in the case organization deal with these tensions. To further explain this in the coming chapter, the research question is split up into three parts.

**1. *How do different actors within a large organization in the beverage industry perceive developments in mandatory public regulation?***

The findings show that the organizational managers perceive developments regarding mandatory public regulation in different ways. Interestingly, these perspectives appear not to be shaped by their traditional home department. Even where the responsibilities of managers differ, they often have similar opinions about regulatory matters. Across the various departments interviewed, some managers view public regulation as helpful through 'Legislation as Guidance' and 'Legislation as a Response to a Failed Audit System.' However, the interviewees also mention that it brings challenges such as increased workload, resource allocation issues, and complexity within global supply chains. The results show different perceptions of regulation, but these are not between departments, but rather that each manager independent from their department has a more complex view on regulation - both seeing them as hopeful and difficult to implement. These internal differences are acknowledged and add complexity to organisational behaviour and decision-making showing organizations as heterogeneous entities..

**2. *What potential tensions arise from these perceptions?***

The tension being profit maximization vs. ethical standards was the main concern of the interviewees. This tension arises from the identified perceptions of the law being both relevant but difficult to integrate into daily business. Hence, on the one hand, findings show that the organization has built a strong attachment to values regarding sustainability. The organization and its managers engage in ethical standards and notably mention its importance. Managers mention that costs will have to be made to ensure compliance. Despite legal obligations, the importance of mandatory regulation in decision-making is highlighted. However, on the other side of this tension, this study has found that managers highlighted the challenge of allocating resources between profitability and sustainability initiatives. The Finance Manager emphasized

that while efforts are made to improve sustainability, the primary focus remains on delivering profits.

Taken together, the findings show the complex balance organizations must deal with between maximizing profit and adhering to ethical standards, highlighting the ongoing challenges, and evolving landscape of corporate compliance and responsibility.

### ***3. How are these tensions managed?***

This research has found two strategies managers within the case organization use to address tensions. Integrated Communication and Collaboration and Strategic Management and Long-Term Planning.

Managers highlight the value of open communication both inside and outside the organization to deal with tensions arising from different external demands. Open communication is understood as clear communication and alignment. This suggests that clear communication ensures that all departments understand decisions, reducing misunderstandings and fostering cooperation. Externally, open channels with lawmakers were mentioned. This is for the organization to stay informed and adapt to regulatory changes. Interdepartmental collaboration entails, frequent gatherings and dialogues between various departments to help everyone understand and address compliance initiatives and regulatory needs. This cooperative method was said to help to take all perspectives into account to form a coherent strategy.

The second method used to manage the differing perspectives is Strategic management and long-term planning. Organizations seem to prioritize actions that enhance brand image and reputation through strategic, long-term planning. The managers stress that enhancing reputation and developing trust with stakeholders and customers are facilitated by compliance. They understand that investing in moral business conduct not only reduces risks but also enhances the company's standing as a “corporate citizen”. Additionally, the business case of sustainability was mentioned, recognizing it as essential for profitability in the long run.

The third way in which the organization manages differing perceptions is through Risk Mitigation and Management. Managers stress the need to predict and respond to changes in the market and regulations. By taking a proactive stance, organizations may efficiently handle and reduce risks, leading to better transitions regarding ongoing compliance.

Building on the adaptability of supply chains, the managers stated the importance of flexible and resilient supply chains. This entails realising how crucial it is to have a backup plan, to

reduce risks from mandatory regulations. Regulatory difficulties are more likely to be successfully navigated by organisations that are effective, adaptable, and quick to adjust to changes.

### **Theoretical contribution**

This study contributes to the literature on business reactions to public regulation, by highlighting that managers -especially in the beverage industry- have different perceptions of mandatory regulation. Rather than considering organisations as homogeneous entities, as in previous research on firms' responses to regulation (Locke et al., 2009; Wright & Nyberg, 2017), this highlights the importance of taking these differences into account. This study therefore responds to recent calls for research regarding the perceptions, and decision-making processes that shape the adoption of effective CSR measures (Aragòn-Correa et al., 2020; Locke et al., 2009; Mosley 2017).

Furthermore, while extant literature mainly looked at organizational responses to public regulation (LeBaron & Rühmkorf, 2017; Locke et al., 2009; Wright & Nyberg, 2017), mainly seeing businesses adversarial reactions to it (Acquier et al., 2011; Risi & Wickert, 2017) this study highlights a more complex view. For instance, it shows that managers are aware of the shortcomings of private regulatory systems and, hence, see mandatory regulation as necessary to guarantee compliance. This view aligns with earlier research (Kuruvilla et al., 2020; LeBaron & Rühmkorf, 2017) regarding the limitations of private rules in combating labour exploitation in supply chains and the need for public regulation. Similarly, while the literature highlights the uncertainty surrounding environmental regulations as a barrier for managers regarding due diligence compliance (Aragòn-Correa et al., 2020; Hoffmann et al., 2009), this research suggests that by seeing mandatory regulation as a guideline removes uncertainty for managers. By having guidelines, managers have less uncertainty and can mitigate risks.

Taken together, managers in this case seem to be aware of the necessity of public regulation and can see it as a support.

However, this study also points out that managers see challenges regarding mandatory regulation. Especially, they see the tension between financial demands and responsible business practices. This tension reflects larger issues raised in the literature, where cost-cutting and operational effectiveness are given priority over moral considerations (Acquier et al., 2011; Reed, 1996; Risi & Wickert, 2017).

Tensions may arise regarding when organizations must consider CSR within their business practices (Acquier et al., 2011; Risi & Wickert, 2017). The findings in this research suggest that with the integration of mandatory regulation tension between profit maximization and ethical business practices arises.

### **Practical Implications**

The findings of this research provide several practical contributions. Recognising that managers may have differing perspectives of mandatory regulation shows that tensions around public regulation might emerge within organizations, specifically between profit maximization and ethical compliance. Managing this tension and the differing perspectives is essential to effectively deal with mandatory regulation. Strategies may help to assist in balancing these divergent perspectives (Oswald, Brettel, & Engelen, 2012). While understanding their effectiveness was beyond the scope of this study, other similar managers in similar organisations within the beverage sector might use these strategies and see whether they might be helpful for them to improve their effectiveness in navigating complex regulatory environments, minimise internal tensions, and improve their regulatory compliance by putting these strategies into practice.

This research helps in understanding the complexity of perspectives on public regulation within organizations. To deal with this complexity, interviewees highlighted strategies such as clear communication and alignment which could strengthen managers' understanding of mandatory regulation developments. The focal study suggests that open and clear communication between businesses and policymakers ensures a clearer and more effective implementation of mandatory regulations. Policymakers can utilize these insights by consulting with organizations and improving the efficiency of implementing regulatory frameworks. This is by considering the complexity and heterogeneity of organizations and understanding the perspectives and challenges within organizations to encourage ethical business practices in sectors like the beverage industry.

### **Possible Limitations and Future Research**

This study has several limitations. First, the literature suggests that operating context and business size are factors that influence an organizations perspective of regulation (Aragon-

Correa, 1998; Aragón-Correa et al., 2020; Hoffmann et al., 2009; Kim, 2013). These factors are not considered in this study, which focuses on one large public organization. The possibilities of differences in perception of regulation regarding these factors could be an interesting field for future research. Researching the differing factors may provide insights, building on this research, into how different types of organizations perceive and adopt mandatory regulations. Understanding these differences can help managers and policymakers even more in developing that consider the unique characteristics and challenges of managers within both small and large firms.

Second, although qualitative case study research offers deep insights into the perspectives and experiences of participants within one organization, it is difficult to apply these results to different contexts (Greene, 2014). Future research could research tensions and solutions to mandatory regulations in different organizational contexts as well as compare managerial responses in organizations in different industries or countries.

Third, interviewees mentioned the difference between an integrated sustainability team in the organization and an external party doing the sustainability operations for them. The addition of an internal or external team affects the organizations' compliance strategies, which may influence how organizations and managers perceive and react to mandatory regulation. This subject was not extensively mentioned to include in this study. However, future research can help in understanding further factors that influence organizations' perception of mandatory regulation. Adding this can create insights into best practices, and contextual elements that influence perceptions and choices, which can result in more intelligent and successful strategies dealing with the tensions created by mandatory regulation (Aragón-Correa et al., 2020; Locke et al., 2009).

Lastly, while certain solutions might effectively handle the challenges regarding the differing perceptions of mandatory regulation, they might not always address the underlying, systemic problems. For instance, clear communication ensures that all departments understand decisions, reducing misunderstandings and fostering cooperation, but it doesn't address the deeper, underlying beliefs and attitudes. The organisation may still encounter resistance and have difficulties in implementing regulations if these deeper perspectives are not addressed. This should be a focus for future research.

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