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Governing Interfirm Relationships for Social Sustainability: The Relationship between Governance Mechanisms, Sustainable Collaboration, and Cultural Intelligence

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Abstract: The concept of social sustainability is gaining attention within the field of supply chain relationships and international business. There are conflicting arguments regarding the effectiveness of contract governance and collaboration in an interfirm relationship. Previous studies have investigated the effect of a national culture on contract governance and opportunism. This study examines the effects of contract governance on collaboration, incorporating the moderating influence of cultural intelligence. Survey data were collected from 239 export manufacturing firms in different industries. The current authors suggest that contract governance might be more effective under conditions of a greater level of firm cultural intelligence capabilities. Cultural intelligence plays an important role in the shaping and implementation of collaboration and is the key to manage cross-culture relationship management in a supply chain. Cultural intelligence constitutes one potential way for the export industry to manage intercultural differences and profitably achieve an increase in collaboration. Collaboration with a socially responsible partner brings about improved social performance. The social dimensions of sustainability, such as fair labor practices and decent worker conditions, health and safety, no child labor, and employee empowerment must be addressed to accomplish the most sustainable growth. Managers also need to take advantage of cultural intelligence to adapt, collaborate, and share cultural knowledge.

Keywords: contract governance; cultural intelligence; social sustainability performance; buyer-supplier relationship; cultural difference

1. Introduction

Industrialization contributes to the damage caused to the natural environment and to human life [1]. As a result, there is a pressing need for organizations to work together to implement management practices that not only promote the company and overall performance, but also focus on social, economic, and environmental concerns. Recently, wellbeing at all stages; development, training, and retaining of the health of the workforce; gender equality; and the adoption of wage and social protection policies have become topics of interest as they link to sustainable development. All the United Nations Member States adopted the 2030 Agenda for Sustainable Development in 2015. Socially sustainable development issues are inherently connected with United Nations Sustainable Development Goals (UNSDGs), for example, SDG3 (good health and wellbeing),

SDG5 (gender equality), SDG8 (decent work and economic growth), SDG10 (reduce inequalities), and multistakeholder cooperation (SDG17) [2]. The development of social performance, which includes the development of health and safety practices, equal opportunities for employment and decent jobs, elimination of all harmful practices such as child forced labor, female participation at all levels of decision-making, the elimination of discriminating policies and practices, and promoting appropriate wage and social protection policies adds to the challenges. Social performance improvement is the biggest challenge humanity faces today and is the main obstacle to sustainable development [3]. The researchers have considered that buyer-supplier cooperation accelerates social performance [4]. Recent studies on governing interfirm relationships on sustainability have suggested that better relationship management is useful for developing a socially sustainable performance [5].

Customer relationship management across cultures often hampers collaborations due to different management styles, cultural philosophies, values, and governance mechanisms [6]. The cultural differences in their functioning already have been pointed out as an important source of distrust, miscommunication, and conflict [7]. Still, many of these collaborative relationships are often unsuccessful [8]. There is little research so far to gain an understanding of the differences and similarities in the outcomes of cultural norms and values, which continue to be a subject to be developed for future research [9]. It is crucial to examine organizational environments when contemplating how to reduce cultural differences in a buyer-supplier relationship.

Governance, therefore, becomes significant in a buyer-supplier relationship. Many firms use relational or contract governance to govern interfirm collaboration with their customers [10,11]. Although supply chain governance scholars have documented the effective roles of governance on relationship commitment and performance [11,12], only a few studies have examined their impact on collaboration [13]. Much of the previous research on the interfirm relationship in the supply chain has relied on contract governance or relational governance [14]. Contract governance is manifested in jointly stipulated contract clauses leading to the fulfillment of joint objectives [15]. Relational governance might serve to support the exchange of information and maintenance of the relationship over time, curtailing behavior and promoting flexibility and participation. The prior research focuses on whether contract or relational governance acts as a substitute or complement to the subsequent outcome with limited attention given to contract governance [14]. The contract governance dimensions on the development of the collaboration are the current study's focus.

Given this potential for mitigating conflicts and differences, buyer suppliers rely on contract governance to promote cooperation [14]. However, prior studies have primarily focused on the contingent effect of national culture on governance and opportunities [16], culture and governance on corporate social reporting [17], or national culture and alliances [18]. Moreover, Handley and Angst (2015) have called for research on how organizational cultural factors moderate the effects on the effectiveness of the governance mechanism [16]. This study responds to a research call for explicit consideration of the effect of organizational culture, or culture in general, in a broader organizational governance mechanism [19]. It is therefore argued that understanding the effects of cultural intelligence is an important mechanism to provide a better understanding of the interfirm relationship and their impact on collaboration.

This study draws on the buyer-supplier (BSR) literature and examines the effectiveness of contract governance in a supply chain relationship from the view of cultural intelligence. The empirical setting of this study consists of the cross-border exporter's relationship with importers in Western countries implicit in the supply chain context. The main contributions of this study are twofold. First, the main contribution is to assess these sustainable development goals under three main parameters, promotion of health and decent work, which covers SGD8, and the promotion of gender equality at the workplace, which largely covers SGD5 and SGD10. Second, this study suggests that contract governance might be more effective under conditions of a greater level of firm cultural intelligence from a theoretical perspective, which enriches transaction cost economics (TCE) by showing that firms with better administrative efficiency experience an increase in the execution of the contract [20].

The rest of the paper develops as follows. First, a discussion of the concepts of contract governance followed by a discussion of the potential role of cultural intelligence and the formulated hypotheses. The subsequent section presents a conceptual framework and describes sample selection. Then, the next section explains the methods used to conduct the analysis. Finally, the results and discussion are presented and the implications for further research directions are discussed.

2. Literature Review

The present study uses a ‘transaction cost economics’ (TCE) theory to examine the viability of contract governance collaboration. The governance literature broadly falls into two categories. One stream of contract governance examines the obligations and rights of exchange parties through contracts, rules, and terms which can adequately protect the relationship and how future transactions will be handled [21,22]. The second stream of relational mechanisms govern such exchanges through shared behavioral expectations that imply implicit control and mutual understanding between parties [23].

TEC advocates that enter into a contract can minimize costs by improving the usefulness of administrative functions, as well as repelling opportunism [20] following the recommendations of previous research [14]. To be more specific, the coordination purpose of a contract points to the organization of a priority and courses for the future, mentioning the transacting parties requirements and anticipations, along with the rearrangement of particular behaviors to deal with the activities and operations chosen for a common endeavor [24]. The legal bond can stipulate formally how disputes and complaints will be resolved, the operational requirements of goods or services provided, and how the performance of the supplier is to be evaluated [25]. Through contract governance, buyers and suppliers can specify the roles, obligations, and expectations of how disputes and complaints will be determined through operational requirements. Legal bonds, as a form of contract governance, have a strong ability to constrain opportunism [26]. Legal bonds also have been linked to improvements in performance between buyers and suppliers and for fostering commitment [27]. Consistent with the perspective of a past paper [25], the current authors argue that legal bonds, as a form of contract governance, help identify the formal expectations of both the buyer and supplier in the relationship.

Contract governance lays out the obligations and rights of each party through contracts, rules, and terms which systematically can safeguard the partnership as to how future transactions will be handled [21,22]. Contract governance is manifested in jointly stipulated contract clauses leading to the fulfillment of joint objectives [15]. Contract governance promotes cooperation, which deters opportunism and exhibits a greater commitment to the partnership [10]. The recent studies have illustrated that interfirm contracts serve as a coordination mechanism [24]. Thus, working jointly through contract governance during cross-culture interaction could also result in improved collaboration [28]. Taking a TCE perspective, following Williamson (1996) [20], it was expected that firms with greater administrative efficiency would have a positive effect on collaboration when facing different exchange partners which would indicate that contract governance can influence collaboration [11]. As discussed earlier in the literature, contract governance serves to decrease opportunistic behavior and boost conformity to the buyer’s demands to encourage and develop relationships leading to a successful collaboration. Therefore, contract governance is conducive to achieve collaboration.

Hypothesis (H1). *Contract governance positively affects a firm’s collaboration propensity.*

Regarding the context of social performance, Sancha et al. (2016) [29] proposed that there is a direct association between buyer-supplier collaboration concerning sustainability issues, resulting in increased knowledge aiming to improve firm social performance. Given that collaboration on both dimensions involves working collectively with customers for an extended period, this resulted in better sustainability performance [30]. However, the governance mechanism has been recognized as one of

the key factors affecting collaboration [31]. Collaboration leads to the development of more sustainable business practices, assists the firm with long-term survival, and provides skills and resources for the development of social performance improvements [32]. Conversely, Awan et al. (2017) [33] highlighted that sustainability performance at the firm level is the ability to maintain a certain state of stakeholder's needs in the current time as well as in the future. Therefore, sustainability refers to managing existing resources to an optimal level and planning for continued development of human activities [34].

The concept of social sustainability has evolved to include many areas such as, transportation [35], the benefits and challenges of inter-organizational collaboration in a bio-based industry [36], agriculture [37], in the construction industry [38], logistics [39], and in human resource management [40]. Given the multidimensional expansion of social performance literature, the current study focuses on social performance practices in manufacturing industries. These kinds of social performance practices consist of internal and external activities within a sustainable supply chain management. The terms of social performance and social sustainability are used interchangeably in the literature. Social performance will be elaborated thoroughly in this paper.

Social performance in the supply chain focuses on the improvement of individuals, safety, health, and environmental issues [41]. Shokravi and Kurnia (2011) [42] pointed out that literature on sustainability is not diverse. The stream of literature addressing social performance has been growing rapidly and many firms have started implementing social practices. Awan et al. (2018) [13] defined social performance management and development of an ethical code of best practices for the survival and growth of current business for present and future generations in a prudent manner. The manufacturing firm performance is defined as a continuing ability to maintain the quality of life of the internal and external actors. Managing social issues has also been shown to enhance sustainability performance and the explanation of firm outcomes [43]. Recently, Luzzini et al. (2015) [44] found collaboration allowed firms to achieve resources that enable the firm to build on those resources and improve social performance. Conversely, Awan (2019) [45] found a positive relationship between joint planning and social performance improvements. Sancha et al. (2016) [29] empirically showed that the adoption of interfirm collaboration on sustainability practices regarding social issues helped to improve social performance. Such collaboration contributes to a firm's ability to nurture and develop the resources and skills of employees to accomplish performance targets. Based on these arguments, the current authors suggest the following.

Hypothesis (H2). *There is a positive relationship between collaboration and social performance improvements.*

2.1. Meta-Cognitive and Cognitive CQ

To understand the effect of cultural intelligence (CQ) on the relationship between contract governance and collaboration, the CQ definition formulated by (Ang and Inkpen (2008) [46] is used. The four dimensions of CQ, include cognition, metacognition, behavioral, and motivational CQ. Cultural Intelligence (CQ) is defined as the capability to observe, interpret, and act upon unfamiliar and ambiguous social and cultural cues, and function effectively in situations characterized by cultural diversity and novelty [46]. Cultural intelligence is the capability to learn and create alternative ways to adapt to customers' different preferences and judge the appropriateness of strategies for solving for these differences and problems which arise in the buyer-supplier relationships [47]. Cognitive CQ (COG) refers to a person's knowledge of cultural norms, practices, and their role in determining the comparison and disagreement between cultures [48]. According to VanDyne et al. (2008) [48], meta-cognition (MEQ) is an "individual mental capacity to acquire and understand other cultural knowledge of norms" practices and conventions in cross-cultural relations [49]. MEQ exhibits a mental capacity to understand and gain knowledge prior to and during the cross-cultural interactions and pertains to monitoring and planning for norms deemed appropriate to a particular group of people [50]. Cultural intelligence research has shown that each dimension of CQ is sharply different and each of these dimensions affects intercultural interaction [51]. Some studies endorse that CQ is an important

strategy in safeguarding cooperation to apply one's own cultural knowledge in cross-culture interaction for minimizing differences [4]. Previous research has not shown clearly which dimensions of CQ are critical for collaboration [28]. Hence, rather than relying on combining the aggregate construct of CQ [52], the current authors focused this investigation on four dimensions of CQ individually as to how they impact on contract governance and collaboration.

The failure to comply with buyer requirements might give rise to conflicts and increase opportunistic behavior under the conditions of behavior and environmental uncertainty [53]. Meta-cognitive CQ (MEQ) is likely to be the most important to the collaborative relationship due to its influence on communication quality and, eventually, intercultural confidence development [28,54]. The MEQ component empowers individuals to adapt and to modify one's conduct to the culture which is unfamiliar to them during communication, thus facilitating an increase in trust [55]. Chua et al. (2012) [28] found that high metacognitive CQ had a direct effect on collaboration in cross-cultural interactions. Cognition and meta-cognition enable managers to monitor one's knowledge process deliberately and to regulate these states to achieve greater adaptation to some objectives [4,56]. As an illustration, Crotty and Brett (2012) [57] highlighted the significance of self-awareness and consciousness of other reactions in handling foreign collaborative culture. Meta-cognition has an important influence on creative collaboration [58].

Hypothesis (H3). *Cognitive CQ positively moderates the relationship between contract governance and collaboration.*

Hypothesis (H4). *Meta-cognitive CQ positively moderates the relationship between contract governance and collaboration.*

2.2. Behavioral and Motivational CQ

The behavioral component of cultural intelligence (CQ) is defined by Thomas et al. (2015) [55] as an individual capacity to manifest the appropriate formal and informal patterns of communication behaviors in interacting with individuals from various cultural backgrounds. Motivational cultural intelligence CQ (MCQ) is defined "as an individual desire and interest to direct attention and energy toward learning and experiencing in situations characterized by the cultural difference" [59]. An individual with a high level of verbal and nonverbal communication behavior demonstrates more flexibility and adaptability to adjust to different cultures [55,60]. Behavioral CQ enables the organizational individual to select the methods they might require at that time to accomplish their goals. The behavioral CQ aims to exhibit accepted verbal and nonverbal communication, that in turn has an influence on collaboration [47]. These enable the exploitation of more fine-grained complex knowledge to improve firm performance [61]. This form of adaptability is helpful for the individuals to use communication effectively which is necessary for the coordination and exchange of information to build a relationship with others and leads to fostering collaborative ties.

As suggested previously [50], motivational CQ provides a more robust basis for adaptability to the customs, traditions, and way of living in different countries. The high MCQ anticipate cultural differences and develop a problem-solving strategy for overcoming the challenges posed by more culturally distant locations [62]. The high-level motivational CQ component leads to more cooperative behavior and collaborates effectively with members of different cultures in intercultural negotiations [51,63]. Motivational CQ is important to gain superior collaboration [28]. Specifically, doing things right requires motivation. Thus, motivational CQ is positively related to collaboration [61]. Research by Awan et al. (2018) [13] showed that motivational CQ was negatively associated with strong relational ties with the customers.

Moreover, Johnson et al. (1996) [56] suggests that the behavioral CQ component can be more helpful in gaining harmony to solve conflict and differences. Hedi and stump (1995) [64] suggested that individuals with higher behavioral CQ tend to have higher cooperative motives than those having low

CQ. Behavioral CQ is appropriate to the particular cultural situation [56]. These enable the exploitation of more fine-grained intricate knowledge to improve firm performance [61]. A conceptual framework is shown in Figure 1. The present authors hypothesized that:

Figure 1. Conceptual framework.

Hypothesis (H5). *Behavioral CQ positively moderates the relationship between contract governance and collaboration.*

Hypothesis (H6). *Motivational CQ positively moderates the relationship between contract governance and collaboration.*

3. Methodology and Data Collection

3.1. Measures

This study drew solely on proven constructs and measures identified throughout the literature (see Appendix A). Multiple scale items were adopted, measured using Likert-type scales ranging from 1 to 7, and followed standard data collection protocol reported in previous literature. Face validity was established by using a pretest of the adapted scale. The measures and items of contract governance were adopted from two previous studies [25,65]. Contract governance is measured from the supplier's perspective using four items on information sharing, coordination, detailed contract, and decision-making. To measure cultural intelligence (CQ), four measures adapted from a previous paper [55] were used. The four dimensions were, "meta-cognitive", "cognitive", "behavioral", and "motivational cultural intelligence". The collaboration with the supplier was measured with a multi-item scale [66] and social performance improvement items were measured by subjective performance outcomes used by [67,68]. A perceptual measure of social performance was used. The subjective measures have been considered as a preferred approach in the South Asian context due to the low reliability of objective social performances being disclosed by firms.

Important variables, such as size of the firm, firm age, type of industry, and employee experiences that may influence buyer-supplier collaboration to handle the endogeneity issue were controlled by the present authors. The number of years in the business is well recognized in the overall effectiveness of the governance mechanism of firms. The relationship length develops trust and curbs the risk aversion behavior of a partner. The length of the relationship between the partners is likely to influence cooperation toward sustainability, it has more influence on strengthening the relationship [10]. During this study, the authors controlled firm age, industry type, and in some years employees' experience specific factors which might affect the social performance [69].

3.2. Sample Selection and Data Collections

The construct was operationalized based on a previously published scale, following the well-accepted guidelines [70]. The questionnaire was pretested and refined before being finalized. The empirical context for the study sets a population parameter of Pakistani manufacturing firms that are export-oriented. The sample was drawn from the directory of registered exporters from the Chamber of Competence and Industry, who had export experience. This study follows the data collection procedure used previously in a buyer-supplier relationship [71]. The sample data for this study consisted of 1152 firms from different export industries. Data was collected through a structured survey, and 257 responses from 650 sampled firms were received, of which 18 responses were eliminated due to missing values, therefore, the final responses comprised 239 firms. The data was gathered from key target respondents due to their interaction and dealing with an international partner and who are knowledgeable in supplier management and corporate social performance [72]. Table 1 shows the characteristics of informants.

Table 1. Firms' characteristics.

Industry Type	f	%	Education Level	f	%
Surgical	37	15.5	Secondary	143	59.8
Sports	84	35.1	Bachelor	42	17.6
Leather wares	35	14.6	Master	45	18.8
Textile	83	34.7	Other	9	3.8
Titles	f	%	^a Firm size	f	%
General Manager Operations	66	27.6	Less than 20	23	9.6
Managing Director	53	22.2	Between 51 and 250	101	42.3
Director Supply chain and logistics	78	32.2	More than 251	115	48.1
Director import and export	38	15.9	^b Firm age	49	20.5
Other	4	1.7	Less than 10	58	24.3
Experience	f	%	Between 11 and 30	97	40.6
Less than 5	34	14.2	Between 21 and 30	35	14.6
Between 5 and 15	123	51.5			
More than 15	82	34.3			

^a Firm size = measured in number of employees, ^b Firm age = Number of years in the same business.

3.3. Data Analysis Procedure and Evaluation of the Model

AMOS (version 24.0) and SPSS (version 23.0) 'Statistical Package for the Social Sciences' was used to evaluate models. All the variables were normally distributed, the value of the Z-test was within the range of $-2.56 + 2.56$. Table 2 shows descriptive statistics.

Table 2. Mean, standard deviation, and results of discriminant validity.

	CG	SC	SP	MEQ	COG	BCQ	MCQ	PE	WE	FS	FA
CG	0.749										
SC	0.39 **	0.758									
SP	0.15	0.29 **	0.743								
MEQ	0.18 *	0.20 **	0.16 *	0.831							
COG	0.40 **	0.164 *	0.08	0.13 *	0.775						
BCQ	0.27 **	0.36 **	0.02	0.17 *	0.30 **	0.744					
MCQ	0.29 **	0.20 **	0.140 *	0.09	0.14 *	0.143 *	0.756				
PE	0.058	−0.11	−0.017	−0.099	0.046	−0.021	−0.001	1			
WE	−0.049	0.09	0.018	−0.022	the −0.068	0.056	−0.041	−0.085	1		
FS	−0.006	0.03	−0.084	−0.018	−0.020	0.013	−0.070	0.11 *	0.53 **	1	
FA	−0.066	0.07	−0.015	−0.031	−0.003	0.013	−0.029	0.029	0.54 **	0.52 **	1
M	6.02	5.02	5.73	6.11	5.99	6.17	6.07	0.38	0.73	0.82	0.81
SD	0.59	0.77	0.87	0.60	0.63	0.54	0.61	0.48	0.35	0.33	0.47

Notes: Diagonally bold values are the square root of average variance extracted; CG = Contract governance, SP = Social Performance, SC: Collaboration; MEQ: Meta-cognitive cultural intelligence, COG: Cognitive cultural intelligence; BCQ = Behavioral cognitive, MCQ = Motivational cognitive. PE: Level of education. WE: Work experience. FS: Firm size. FA: Firm age. M: Mean. SD: Standard Deviation; ** Correlation is significant at the 0.01 level (1-tailed); * Correlation is significant at the 0.05 level (1-tailed).

3.4. Common Method Bias and Nonresponse Bias

Guidelines developed by Podsakoff et al. (2003) [73] were followed to assess the magnitude of common method bias (CMB). The participants were advised that research participation was voluntary. To evaluate the face validity, a pretest of the survey questionnaire among 12 manufacturing firms to build up an understanding of the subject material was conducted. Harman's one-factor test to assess Podsakoff and Organ (1986) [74] was conducted. The resulting analysis of principal component factor analysis without rotation shows that variance explained by a single factor was 27.35%. Further, confirmatory factor analysis was performed as a more stringent test. A model that consists of a common method factor, following the lead of Li (2016) [73], was specified. The comparative fit index, CFI = 0.63, and root means squared error of approximation, RMSEA = 0.24, revealed that the one-factor structural model did not fit the data. Therefore, a comparison with constrained (χ^2 (288) = 160.01) and without unconstrained (χ^2 (257) = 183.73) measurement error correlation was necessary. The results show that there was no significant difference in the chi-square difference (χ^2 (31) = 23.72, p = 0.224) between group variation. The results reveal that the present study did not suffer from a common method bias. It is now becoming important that survey research studies address the endogeneity problem. Recently, Dan and Yang (2018) [75] already called attention to the endogeneity issue in survey research. Regarding the control variable, the current results are presented in Table 3. The important variables on the size of the firm, firm age and employee experiences that might influence buyer-supplier collaboration were controlled. The number of years in the business is well recognized for the overall effectiveness of the governance mechanism of firms. Firm size is a more important fundamental firm characteristic than other control variables. The rationality of using firm size following guidelines by Zhu et al. (2012) [76] were explained. The firm age, industry type and some years employees experience specific factors which might affect the social performance Hair et al. (2010) [77] were controlled in this study. Considering the control variables in Model 3, firm size, firm age, and level of education have no influence on the collaboration, however, work experience positively influences the collaboration (see Table 3). The findings tend to indicate that work experience is expected to have a positive impact on the collaboration.

Table 3. Standardized results of hierarchical regression.

Control	Model 1	Model 2	Model 3
FS: Firm size	−0.02	−0.02	−0.03
FA: Firm age	0.04	0.06	0.06
WE: Work experience	0.08	0.011	0.15 *
PE: Level of education	0.01	−0.02	−0.03
Main Effects			
Contract governance (CG)	−	0.39 **	0.39 **
Collaboration	−	0.26 **	0.27 **
Cognition (COQ)	−	0.07	0.05
Meta Cognitive (MEQ)	−	0.16 *	0.16 *
Motivational (MCQ)	−	0.09	0.09
Behavioral (BCQ)	−	−0.06	−0.06
Interaction effects	−		
COQ x CG	−	0.01	0.00
MEQ x CG	−	0.25 **	0.26 **
MCQ x CG	−	0.17 *	0.17 *
BCQ x CG	−	−0.03	−0.03
R ²	0.43	0.54	0.58
ΔR ²	−	0.11 **	0.04 **
F	6.83 **	8.24 **	8.01 **

* p 0.05; ** p 0.01.

3.5. Reliability and Validity Measure

Confirmatory factor analysis (CFA) was used to assess the model fit. The fit statistics were acceptable using χ^2/df ratio = $304.58/178 = 1.71$; $p < 0.01$; “goodness-of-fit index” [GFI] = 0.925, “comparative fit index” [CFI] = 0.931, “Incremental fit index” [IFI] = 0.930; “root mean square error of approximation” [RMSEA] = 0.07 [78]. The CFA model revealed a good fit to the data. The psychometric properties of all measurement items were assessed for unidimensionality, reliability, ‘convergent’, and ‘discriminant validity’. The value of the average variance extracted (AVE) for all variables exceeded the 0.70 thresholds, demonstrating the good reliability of this construct. The values of Cronbach’s alpha (CA) and the composite reliability (CR) of all variables were higher than the 0.50 cut of value [79,80]. The discriminant validity of all measures were assessed by comparing the squared intercorrelation with AVE for each measure between the two constructs [79]. All the items loaded corresponding to their related construct, and factor loadings were statistically significant and positive, supporting evidence of convergent validity [78].

A two-factor confirmatory factor analysis model assessing discriminant validity following Poppo et al. (2008) [81] was also performed. First, the model ran a constraining the correlation between construct unity and, second, freeing the parameter. The value of chi-square (χ^2) difference between the constrained and unconstrained models was significant ($\Delta\chi^2 (1) > 3.84$). Overall, the results showed acceptable validity to this data (see Table 4).

Table 4. Validation of constructs survey items, item means, and standard deviation.

Items	Factor Loadings	t-Value	Error Variance	Indicator Reliability
Contract governance AVE:0.561;CR:0.836;CA:0.741				
CG1	0.750	16.01	0.438	0.563
CG2	0.761	17.31	0.421	0.579
CG3	0.781	19.68	0.391	0.610
CG4	0.701	13.27	0.509	0.491
Social Performance AVE:0.552;CR:0.831;CA:0.728				
SP1	0.701	13.51	0.509	0.491
SP2	0.769	18.34	0.409	0.591
SP3	0.825	35.17	0.319	0.681
SP4	0.669	12.37	0.552	0.448
Collaboration AVE:0.575;CR:0.844;CA:0.782				
SC1	0.733	13.78	0.463	0.537
SC2	0.759	17.02	0.424	0.576
SC3	0.811	35.44	0.342	0.658
SC4	0.730	12.22	0.467	0.533
Meta cognitive AVE:0.691; CR:0.900; CA:0.851				
MEQ1	0.795	18.49	0.368	0.632
MEQ2	0.851	21.82	0.276	0.724
MEQ3	0.867	36.63	0.248	0.752
MEQ4	0.811	20.80	0.342	0.658
Cognitive AVE:0.601;CR:0.815;CA:0.712				
COG1	0.916	4.01	0.161	0.839
COG2	0.633	2.71	0.599	0.401
COG3	0.750	3.74	0.438	0.563

Table 4. Cont.

Behavior cognitive AVE:0.553;CR:0.832;CA:0.736				
BCQ1	0.745	15.74	0.445	0.555
BCQ2	0.708	11.61	0.499	0.501
BCQ3	0.802	24.41	0.357	0.643
BCQ4	0.716	11.98	0.487	0.513
Motivational Cognitive AVE:0.572;CR:0.842;CA:0.753				
MCQ1	0.730	10.91	0.467	0.533
MCQ2	0.757	13.69	0.427	0.573
MCQ3	0.809	18.94	0.346	0.654
MCQ4	0.727	12.82	0.471	0.529

Note: CG: Contract governance, SP: Social Performance, MEQ: Meta-cognitive cultural intelligence, COG: Cognitive cultural intelligence, BCQ: Behavior Cognitive, MCQ: Motivational culture Intelligence, AVE: Average Variance Extraction, CR: Composite Reliability, CA: Cronbach's alpha.

3.6. Moderation Analysis and Model Evaluation

The value of the variance inflation factor (VIF) was generated to test whether multicollinearity between the variables was present or not, using the recommended procedure [78]. The moderated hypothesis with a three-regression model using hierarchical moderated regression analyses (MRG) was tested. The MRG approach tested the complex relationship and assessed the endogeneity issue in relation to the exogenous and endogenous variables to be estimated. Prior practices were followed and a multi-stage least square regression approach [16,82] was run.

First, the independent variable contract governance (CG) on meta-cognitive CQ, cognitive CQ, behavioral CQ, and motivational CQ were regressed. Similarly, the positive effect of CG on meta-cognition was significant ($\beta = 0.18, p < 0.01$). Further, there was no association between CG and cognition. In contrast, the CG was positively related to motivational CQ ($\beta = 0.23, p < 0.01$). The results also revealed a negative association between CG and motivational behavior CQ ($\beta = 0.09, p < 0.05$). Interaction terms using an observed minus predicted value were added. Table 3 shows the moderated regression analysis results (MRA) of the three models.

Found in Table 3 and Model 1, the results suggest that experience was positively associated with collaboration ($\beta = 0.15, p < 0.05$). Model 2 serves as the main effects model. An independent and moderator's variable was added and the model suggests that the R-square value had risen modestly by 0.11 at ($p < 0.01$). Model 3 shows interaction terms were added. The R-square value increased. These interaction terms support the cultural intelligence effect on the independent variable in comparison. The result findings in Model 3, Table 3, suggest that there was a positive association between CG and collaboration ($\beta = 0.27, p < 0.05$).

Support for H1 is found, therefore, that export manufacturers seem to be more likely to involve buyers in contract governance. Previous studies proposed that formal contracts are positively associated with the collaboration [11]. The current findings extend this stream of research by linking contract governance to the performance of collaboration. The results in Model 3 suggest that the coefficient of collaboration have a positive and significant effect on social performance improvement ($\beta = 0.398, p < 0.05$), thus supporting H2. This result is similar to the previous studies that showed collaboration is beneficial for firm social performance improvement [11].

The findings suggest that surveyed firms benefit from collaboration. Taking this view, collaboration is a great source of social performance improvement for firms, providing new knowledge and solutions that are useful to compete nowadays in challenging business arenas. According to the current results, this means that the more firms involved contract governance in their operations and activities, the more they were likely to benefit from solutions and knowledge coming through contract

governance. Export manufacturing firms in Pakistan can be in a position to acquire a specific process and resource from buyers through collaboration for achieving a sustainable performance outcome.

Looking at Model 3 of Table 3, the results indicate that the coefficient of interaction between cognitive CQ and CG are not significant for collaboration ($\beta = 0.05, p > 0.01$), thus, there is no support for H3. One possible explanation for this result is that managers of export manufacturing firms in Pakistan are less likely to modify their behavior and are unable to control emotional reactions to buyers belonging to a specific group to accommodate the cultural differences. The results support past studies on cultural judgment and task performance that state having cognitive CQ does not necessarily translate into actions and behaviors [55].

The results support previous studies [60,83] and put forth the generalization of the findings. This current research suggests that firms from collectivist cultures tend to prefer avoiding learning similarities and differences in cultural values and norms.

Next, H4, the meta-cognitive CQ component, is significantly and positively related to the contract governance in the enhancement of collaboration ($\beta = 0.26, p < 0.05$). The results are not contrasted with a recent study [60] and put forth that firms from a long distance and low orientation countries prefer to maintain traditions as well as awareness of the cultural preferences of different groups. The findings also support the past studies that managers with a high meta-cognitive CQ are likely to adapt to these situations when a cultural difference exists in cross-culture interaction [84]. The findings show that managers from export manufacturers in Pakistan acquire and understand cultural knowledge in cross-border interaction. The managers pay close attention to the corresponding buyer's reactions and make a judgment to understand his/her reactions to the extent to which cultural difference bias might not influence the situation and attempt to build cultural awareness. Consistent with H4, Figure 2 shows that the relationship between metacognition CQ and contract governance is positive and significant for the collaboration. The results suggest a moderating effect of meta-cognition CQ on the relationship between contract governance and collaboration is stronger at a high level of meta-cognition CQ. Differences in firm meta-cognition CQ are associated with the different level of collaboration at low levels of contract governance.

Figure 2. Moderating effects of cognition cultural intelligence on the relationship between contract governance and sustainable collaboration.

Concerning H5, behavioral CQ is argued to positively moderate the relationship between contract governance and collaboration. However, the interaction effect of behavioral CQ between CG on collaboration is not significant ($\beta = -0.03, p > 0.01$). Thus, there is no support for H5. One possible explanation for this result is that managers of export manufacturing firms in Pakistan, with contract governance with their buyers, are less likely to focus on nonverbal skills to communicate. Regarding H6, it was argued that motivational CQ positively moderates the relationship between contract governance and collaboration ($\beta = 0.17, p < 0.05$). Thus, there is no support for H6. The findings are consistent with the findings of past studies on collaboration across culture [28]. Specifically, managers from manufacturing firms in Pakistan understand and appreciate cultural differences that are different from

their local norms and practices. The results support a recent study [60] and put forth that firms from an uncertainty avoidance culture directed energy and intentions to adapt to an unfamiliar cultural environment. Figure 3 shows that contract governance had a strong positive effect on collaboration when the firm motivational CQ is high. Specifically, in contract governance, managers do not direct their efforts to understand these differences when interacting with buyers from different cultures. This result is similar to the previous studies on cultural judgment and task performance that surveyed firms are not likely to modify their actions and behaviors to adapt to different situations [55].

Figure 3. Moderating effects of motivational cultural intelligence on the relationship between contract governance and sustainable collaboration.

One possible explanation is that meta-cognitive cultural intelligence and motivational cultural intelligence are important social relations mechanisms that exert influence on contract governance. A company with high involvement gains some benefits needed for improving collaboration. The logic of cultural intelligence (CQ) in contract governance is particularly important in some emerging economies, such as Pakistan, where the implementation and the rule of law are weak and regulatory and political uncertainty is high. The current authors suggest that when the institutional environment is weak, provision for dispute resolution informal contact with cultural intelligence become the assurance for the execution of contracts. However, if CQ is absent, the situation will deteriorate, reducing the cooperation and, thus, hurts the performance outcomes. Acknowledging cultural intelligence is a double-edged sword and more attention should be directed to such a governance mechanism that can turn cultural differences in fostering collaboration. The results demonstrate that if firms decided to pursue social sustainability, it is best to consider cultural intelligence for the development and implementation of collaboration.

4. Discussion

This study's findings reveal several important arenas. This study provides new insights, such as how dimensions of cultural intelligence (CQ) affect the relationship between contract governance and collaboration. The earlier researchers have highlighted the impact of legal and institutional factors on contract governance [85,86]. This research contributes to governance literature by analyzing common problems companies experience in long-term contract ineffectiveness [86]. The present results reveal two cultural intelligence dimensions that might give rise to such contract effectiveness. This study also responds to Handley and Angst (2015) [16] call for future research on the impact of culture on the governance mechanism. They found that the institution environment reduces buyer-supplier conflicts in contract governance. The current results suggest that a firm with a higher level of meta-cognitive CQ attains a more creative style of conflict handling in their intercultural ties, relative to those lower in meta-cognitive CQ.

The result of this study is also in alignment with Blome et al. (2013) [19], who suggested that employees need to be knowledgeable and in possession of a high level of absorptive capacity (ability to

acquire, analyze, and utilize external knowledge). The CQ impact on CG confirms that collaboration is not only influenced by contract governance but, also, by the CQ. These findings further extend past research examining contract effectiveness in an emerging country [87]. These results are in line with previous studies [28] that found meta-cognitive CQ enhancing intercultural interactions and helping individuals draw on knowledge effectively, which allows them to avoid disagreement and is likely to be the key driver to create collaboration. Different from previous research, the current authors suggest that a meta-cognitive CQ-based mechanism leads to intercultural cooperation and trust, which increases the willingness to engage a culturally different partner. Findings confirm that behavior CQ (flexibility and adaptability) are also critical and has an influence on the relationship between contract governance and performance. The current findings deepen prior research by highlighting that collaboration is important for social performance improvement. Finally, these findings deepen prior research [29] by highlighting that collaboration is important for social performance improvement. Collaboration leads to a socially sustainable system that maintains a stable employment, avoids exploitation of child labor and focuses on the development of health and safety practices that aim to reduce the rate of injuries, absenteeism, and occupational diseases. The social sustainability at the firm level ensures that equal opportunities and fair access to the resources for health, safety, employment, human rights for employees, and community development. This study makes two important contributions. First, this study is grounded in TCE literature that addresses the issue of contract effectiveness. When flexibility and adaptability are lacking, the situation will deteriorate, as the supplier firm will act in their own best interest without considering another point of view. It might lead to increased opportunism [87]. This empirical study confirms the interconnection between contract governance and cultural intelligence capabilities promoting adaptation to the buyer requirements and promoting collaboration. This empirical study confirms the interconnection between contract governance and cultural intelligence and the promotion of adaptation to buyer requirements. Taking a theoretical perspective, the current study contributes to transaction cost economics (TCE) literature by showing that the firms with better administrative efficiency experience can increase the execution of the contract [20]. The present authors expect that supply chain managers are quite familiar with cultural differences and can reconcile differences among partners, decreasing the cost of coordination. Cultural intelligence has a double-edged sword effect on the interfirm relationship and encourages long-term cooperation in channel relationship management. Viewed from a TCE perspective, the current authors expect that, at high levels of meta-cognitive CQ and motivational CQ enhancing intercultural interactions, lowers information exchange cost, and improves collaboration.

5. Conclusions

The purpose of this study is to develop and test the theoretical framework of how cultural intelligence (CQ) among buyer-supplier relationships influences collaboration efforts and performance outcomes.

There is an increasing recognition that collaboration represents important opportunities for development of socially sustainable performance. Regarding contract governance, it is found that the meta-cognitive CQ and motivational CQ dimensions have a positive effect on contract governance effectiveness. That is, high levels of meta-cognitive CQ are associated with increased contract effectiveness for collaboration, while a high level of motivational CQ is also associated with an increase in the contract effectiveness. The findings also manifest that collaboration is important for export manufacturing firms to improve social performance. Collaborative activities include joint planning, mutual understanding of responsibilities regarding environmental, and social issues, thus facilitating compliance in human rights, fair labor practices, and decent working conditions, development of health and safety that helps improve the understanding of the worker's conditions, and design a strategy for improvement. These findings contribute to SDGs 3, 5, and 7.

Industrialization impacts increase human vulnerabilities and contribute to an increasing demand for waste conservation, renewable energy resources, water infrastructure development, decreasing

greenhouse gases emissions, recycling, and waste management, provision of health and safety, access to education, reducing inequalities and child labor, and improving quality of life of the community. The social performance improvement requires effective cooperation and partnership among buyer–suppliers to mobilize resources. As such, collaboration is only a promising strategy for developing and implementing social sustainability solutions. The current results support the SDG 17, by revealing that contract governance has been framed as a new form of governance with the potential to bridge local cultural norms by drawing on a diverse number of partners. The interinstitutional role itself might barely cope with the demanding issues together with complex dimensions of sustainable development [88], however. The current findings contribute to the SDG17 agenda 15; it is important for the export manufacturing firms to emphasize the partnership and collaboration among the various customers to facilitate the development of appropriate strategies to ensure integrated activities for social performance. As cultural intelligence and contract governance fit the unique configuration of collaboration in emerging economies, it is likely to contribute to social sustainability performance.

The concept of cultural intelligence in the developing countries export manufacturing firms is growing due to its importance in an interfirm relationship accompanied by the increasing challenges of globalization in procurement, outsourcing, and collaboration for sustainable development. Interfirm supply chain relationships frequently cause conflicts and impede collaboration owing to different cultural practices, values, philosophies, and management styles. The findings emphasize that the relationship between contract governance and collaboration will increase in the extent to which firms emphasize cultural intelligence. Thus, cultural intelligence is becoming more important for export manufacturers, to enable employees to better adjust and drive to engage in culturally different partners for collaborations. This study also contributes to the literature linking collaboration and social performance. The buyer–supplier relationship is key to social performance improvements [13].

This suggests that sustainable collaboration is vital to the improvement of the overall health and wellbeing of the individuals as well as to having an equal standard of living within the surrounding communities, although social sustainability is pursued differently in a different geographic location [89]. Thus, without collaboration, social sustainability in manufacturing firms remains a challenge.

5.1. Practical Implications

Governing interfirm relationship across cultures requires supply chain managers to show motivation, knowledge, and awareness of partner cultural practices in exercising the governance structure. This study offers insights for the managers. Recently, sustainable supply chain management has become a popular research topic and the manufacturing industry is one of the important research themes in social sustainability management. During the last few decades, environmental and social sustainability is undoubtedly becoming important for sustainable development. It focuses particularly on fair labor practices and decent worker conditions, health and safety, no child labor, employee empowerment, and reduction of poverty and income inequality, searches for ways to reduce greenhouse gases and economic growth is essential for global sustainability. To achieve social sustainability in the supply chain, firms should not only rely on the enforcement of international standards, but also work in close collaboration with their suppliers. The managers should undertake collaboration options in their social sustainability. Regarding supplier firm managers, they should focus on maintaining a high level of coordination for the successful development of cognitive insights, which may serve as a pivotal tool to enhance cooperative norms. Manufacturing firms that are required to develop more policies on human rights, child labor, and equality may contribute significantly towards advances in the living of standards and wellbeing of employees in the work area. In sum, cross-cultural management training can improve cultural intelligence dimensions [90].

Industrialization impacts on the quality of human life and damages the natural environment. There is growing recognition of environmental sustainability issues in the literature; however, there has been reported very little attention on social sustainability issues in international business. Thus, firms seeking to improve social sustainability performance through contract governance need

to adjust their written agreements to reveal traditional social practices that might differ largely in developing countries. The firms with collaborative objectives are required to emplace cultural intelligence teams, which reduces the interfirm conflict, allowing firms to focus on the exchange of information, thereby keeping the firms aligned in their collaboration objective accordingly. To achieve social sustainability, buyers and suppliers should manage the relationship through contract governance and cultural intelligence capabilities.

Cultural intelligence has an important implication for supporting the global sustainable development agenda. Cultural intelligence (CQ) is particularly important in the case of interfirm collaboration. It might generate knowledge, force firms to adapt to norms and beliefs of a given culture, and transform into collaboration. The use of cultural intelligence in an interfirm cross-border relationship is an emerging phenomenon in the international business environment. Therefore, the current authors recommend that supply chain management adopting cross-cultural collaboration require flexibility to match local cultural practices and work processes for the demand of diverse supply chain members. Cultural intelligence, which connects suppliers with customers from different cultural backgrounds, plays an important role in buyer-supplier relationship management. Cultural intelligence plays an important role in the shaping and implementation of collaboration and is key to managing cross-cultural relationship management in a supply chain. Although, cultural intelligence (CQ) within buyer-supplier relations provides access to build more relational ties to develop a better cultural understanding of partners and, in turn, might create a relational lock-in risk. One key implication of the study is that contract governance helps to align collaboration activities, therefore, in such situations, cultural intelligence is particularly important for a strong source of collaboration.

5.2. Limitations

Despite many years of sustainable development, research in cleaner production technologies, economic sustainability and environmental sustainability, social sustainability issues have been given less attention in interfirm relationships. Governments and policy institutions are developing strategies for cleaner production technologies for minimizing greenhouse gas footprints on communities and environments by renewal in their supply chain. Given the global nature of sustainable development issues, the current authors call for more inquiry into the changing patterns of consumption impacts on reducing water availability, the impact of production patterns on water and air pollution, and the natural resource depletion of community development. Social sustainability is widely accepted as the third pillar of sustainable development; however, dimensions of social sustainability are often overlooked in international business. The social aspects of sustainability have not been given much attention because it is more likely to depend on the firm's preferences and their resources. The study is not without limitations that need to be addressed in future endeavors. Future research might engage these issues, offering both practical and theoretical insights into how these machines work in promoting cultural intelligence capabilities. Thus, it is still a fertile research avenue to investigate the interplay of contract and relational governance with transaction cost economics (TCE). Further, this study collected data from few manufacturing firms in a single country, Pakistan, which cannot represent all emerging economies and limits the generalizability of the current findings. The authors concluded that collaboration through contract governance might be even more important in developing countries for social sustainability using these approaches. The current results show collaboration seems to be grounded on contract governance. The future research studies should adopt a longitudinal methodology to investigate from a buyer's point of view, as to whether the enhancement of specific cultural capabilities could lead to improved collaboration. Despite the rapidly growing interest in the circular economy, collaboration on reuse and remanufacturing that can increase environmental sustainability has received little research attention. Additionally, the authors suggest future studies to conduct multilevel analysis testing for possible moderating and mediation variables, such as cultural orientations, to transform the digital technology in a supply chain relationship.

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Appendix A. Constructs Survey Items

Items
Contract Governance (CG) is measured to what degree do you agree or disagree with the following statements on a 7-point scale (1—Strongly disagree, 7—Strongly agree)
CG1 The firm have formal written agreements outlining social issues.
CG2 The firm formal written agreements outlining how to handle technical requirements.
CG3 The firm formal written agreements that detail the rights and obligations of both parties.
CG4 The firm formal written agreements that precisely state the legal remedies for failure to perform.
Social Performance (SP) is measured as the degree of improvement on a 7-point scale (1 not at all, 7: a very great extent)
SSP1 We have improved compliance with human rights
SSP2 We have improved occupational health and safety
SSP3 We have invested in community well-being programs
SSP4 We have improved worker, conditions and have developed safety measures
Collaboration (SC) is measured as to what degree do you agree or disagree with the following statements on a 7-point scale (1 not at all, 4—moderately, 7—great extent)
SC1 Achieving sustainability goals collectively
SC2 Developing a mutual understanding of responsibilities regarding environmental and social performance.
SC3 Working together to reduce the environmental impact of our activities that support sustainability goals.
SC4 Conducting joint planning to anticipate and resolve the environmental-related problems and reduce overall environmental impact.
Cultural Intelligence (CQ) is measured to what degree do you agree or disagree with the following statements on a 7-point scale (1—Strongly disagree, 7—Strongly agree)
Metacognitive
MEQ1 We are conscious of cultural knowledge, we use when interacting with people from different cultural backgrounds.
MEQ2 We adjust our cultural knowledge as we interact with people from a culture that is unfamiliar to me
MEQ3 We check the accuracy of my cultural knowledge as we interact with people from different cultures
MEQ 4 We are conscious of the cultural knowledge, we apply to cross-cultural interactions (Deleted)
Cognitive
COQ1 We are aware of cultural values and religious beliefs of other cultures
COQ2 We are aware of legal and economic systems of other cultures
COQ3 We are aware of rules for expressing nonverbal behavior in other cultures
Behavior Cognitive
BCQ1 We can effectively do things in culturally diverse situations
BCQ2 We are flexible in regard to changing our verbal behavior when a cross-cultural interaction requires it

BCQ3 We are flexible in regard to changing our nonverbal behavior when a cross-cultural interaction requires it

BCQ4 We can effectively control facial expressions when a cross-cultural interaction requires it

Motivational Cognitive

MCQ1 We are confident that we can socialize with locals in a culture that is unfamiliar to us.

MCQ2 We feel comfortable in interacting with people from different cultures

MCQ3 We are confident that we can deal with the stress of adjusting to a culture that is new to us.

MCQ4 We feel comfortable dealing in cultures that are unfamiliar to us.

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