A classification of deception in operations and supply chain management: A case study of deception in Australian souvenir markets

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Abstract
Sustainability concepts inform business considerations of production and procurement in order to satisfy consumer demands for ethical products. Drawing on the Deception Impact Model, the aim is to understand the severity of deception, implementation of socially sustainable practices, and impact on consumers by examining a case in the Indigenous art Australian souvenir industry. It found where a firm decouples from socially sustainable practices the result, a form of deception, negatively impacts ethically motivated consumers. The paper highlights where Indigenous people should be involved in the development chain to avoid infringing on human rights as it relates to commodification of culture.

Keywords: Social Sustainability, Ethical Practice, Deception, Indigenous Art

Introduction
The growing consumer desire to make ethical purchases necessitates firms to become more transparent in their production and procurement processes. Sustainability concepts, which include social, environmental, and economic dimensions, are ways in which business can consider the production and procurement in order to satisfy...
consumer demands for ethical products. Likewise, the sustainability dimensions are a lens in which to examine operational processes to understand where practices decouple from what is legally and socially accepted in the provision of goods and services.

Sustainability issues transform the competitive environment for business (Longoni and Cagliano, 2015). There are various reasons for the private sector to demonstrate sustainability practices in their operations and behaviour. For example, the recent shift within the sustainable development paradigm has seen the private sector take a more prominent role alongside civil society and governments in addressing issues facing inclusive global growth and development (Scheyvens et al., 2016). Beyond contributing to global aspirations for sustainable development, economies can be achieved through environmentally sustainable operational practices, such as waste reduction and energy conservation. These savings can be amplified across a supply chain through coordination with upstream and downstream partners (Gupta and Benson, 2011) and assist in achieving a positive long-term performance of individual companies and their supply chain (Ahi and Searcy, 2015).

When considering sustainability within a supply chain context financial returns are not the only benefits for a network of firms working together to compete in the industry. Supply chain partners also have an interest in understanding each other’s processes in order to ensure they are satisfying the needs of stakeholders in both legal and social aspects. The reason is to uphold legal obligations and avoid broader scrutiny by society.

Despite the benefits of practising sustainability in business processes, there are many instances of firms decoupling from strategic sustainability goals during implementation at the operational level. This paper uses the case of the Australian souvenir industry to illustrate where a firm decouples from socially sustainable practices in the production and procurement of low-cost souvenirs featuring stylised designs representative of the culture of Indigenous people. The result of the decoupling, a form of deception, negatively impacts consumers who are motivated to make ethical purchases. In addition to upholding the rights of Aboriginal and Torres Strait Islander people to protect and commodify their culture as a fundamental concept of Indigenous human rights.

This case has been chosen to illustrate deceptive practices as it has been recently highlighted within a Federal Government Inquiry (the Inquiry) and subsequent report (the Report) and legal proceedings brought before the Australian courts prosecuting a well-known souvenir distributor (the Distributor) mislabeling products to deceive consumers who are concerned with making ethical souvenir purchases. Further, this case highlights the role of social sustainability in business to protect human rights as it relates to the cultural dimension. Reasons for this will be outlined.

To understand deception in this context and understand where operational processes decouple from sustainability objectives happen, the Deception Impact Model (DIM) by (Hammadi et al., 2018) is utilised. The DIM connects three dimensions to provide an understanding and positioning of a firm’s practices and impacts regarding severity of deception, implementation of sustainability practices and, impact on customers and other stakeholders.
There are differing attitudes and values towards the commodification of culture to produce souvenir product influencing what is classified as ‘authentic’ or ‘fake’ product. It is not the aim of this paper to classify or debate authenticity concepts, rather demonstrate the implementation (or lack) of social sustainability concepts in the production and sale of souvenir products featuring designs representative of Indigenous culture, and their subsequent impacts on operations management, supply chains, consumers and stakeholders. The term inauthentic will be used in reference to objects or products that do not engage Indigenous people in the design for the purpose of providing clarity and consistency.

The aim of this paper is to highlight where operations management and supply chain concepts can add value to society - particularly with respect to developing Indigenous Australian enterprises which are a valuable mode of sustainable development in remote regions. The paper provides a background to unsustainable practices, then discusses the concept of culture within a human rights framework and how it relates to the social sustainability in the Australian souvenir industry. The legal proceedings brought before the Distributor are examined using the DIM framework to understand the severity of the Distributor’s deception. The Distributor’s development chain is then examined to understand the degree to which the firms are implementing socially sustainable practices from an operations management and supply chain perspective. Finally, the impact of consumers and other stakeholders is considered to position the Distributor in relation to the implementation of social sustainability practices.

**Background**

Historical factors also demonstrate a lack of internal culture towards social sustainability among distributors and retailers with the issue of deception relating to inauthentic products within the Australian souvenir supply chain having been addressed in 2003 prior to the Distributor case in 2018. The Australian Competition and Consumer Commission \_brought action against Australian Icon Products Pty Ltd (AIP)\_ for engaging “in conduct likely to mislead or deceive consumers” due to making claims that souvenirs were hand-painted by Indigenous Australians (NSW Government, 2007). Under Australian consumer law, “consumers are entitled to receive goods that match their description”. The ACCC alleged Australian Aboriginal Art Pty Ltd (AAA) mislabelled products claiming they were ‘Australian Aboriginal Art’, ‘Aboriginal Art’ and/or ‘Authentic, made by Aboriginal artists or artists of Aboriginal descent’ despite not employing Indigenous people in the production process (NSW Government, 2007). The 2003 and 2004 cases demonstrate broader public awareness of deceptive practices by souvenir wholesalers in the form of mislabelling products. Despite this awareness, the production and sale of goods to retailers with misleading labels continued.

Recently in Australia, the Arts Law Centre of Australia revealed the widespread use of deception in the souvenir industry through an advocacy campaign. The campaign, known as *Fake Art Harms Culture*, highlighted the pervasiveness of merchandise available at tourism retailers, which presented as Indigenous cultural souvenirs appeared
ambiguous in provenance (Indigenous Art Code, 2019). One of the aims of the *Fake Art Harms Culture* campaign was to draw awareness to products whereby culture is commodified, often with inappropriate designs and materials, to create a product for a specific market. The advocacy campaign led to the Federal Australian Government undertaking an official *Inquiry into the growing presence of inauthentic Aboriginal and Torres Strait Islander 'style' art and craft products and merchandise for sale across Australia* (Inquiry) and a final report (Report) into the findings was published in 2018 (Australian Government, 2018).

Additionally, in 2018, the Australian Competition and Consumer Commission (ACCC) launched legal proceedings against a souvenir distributor finding the firm in breach of labelling laws (Australian Competition and Consumer Commission, 2018). The ACCC case demonstrates a legal mechanism (i.e. consumer law) in which incorrectly labelled souvenirs representing Indigenous culture assist in protecting consumers from making unethical purchases.

Despite consumer law providing protections for consumers in this context, Australian law does not extend to the “underlying idea or information that is put into a work” or a “style or method of art” such as dot painting techniques synonymous with Indigenous culture. Therefore, there are limited legal mechanisms in place to prevent a product being produced that references an Indigenous story or artistic style associated with a culture or specific nation (Artists in the Black, 2019). The commodification of Indigenous cultures to produce and sell souvenirs, without having an overt connection to an Indigenous person is not legally prohibited, and are termed ‘inauthentic’ for the purposes of clarity. Thus, as evidenced by the 2018 Distributor case, producers, wholesaler, and retailers of souvenirs continue to engage in deception.

**Social sustainability: Culture as an aspect of human rights**

While social sustainability is becoming an increasing concern of business (Mani and Gunasekaran, 2018), there is ambiguity regarding the social sustainability dimension and what it encapsulates (Ajmal et al., 2018). Cultural and ethical issues have been overlooked compared to factors related to legislative compliance, and the hierarchy of factors enabling social sustainability has not been clearly established (Mani et al., 2014).

A dimension of social sustainability is the rights of Indigenous people. The *United Nations Declaration on the Rights of Indigenous Peoples* protects Indigenous people's “right to maintain, control, protect and develop their cultural heritage” and “to maintain, control, protect and develop their intellectual property over such cultural heritage”; the “right to the dignity and diversity of their cultures”; further advance their economic and social conditions including employment (Australian Human Rights Commission, 2012).

Supply chain management research has been limited in considering the interrelationships between sustainability issues (Gimenez et al., 2012). The three sustainability pillars are ubiquitous in our understanding of sustainability, however, their distinction as separate dimensions is conceptually fuzzy (Kuhlman and Farrington, 2010). There has been a stronger focus on addressing economic and environmental
dimensions of sustainability in business, while the social aspect has not been well developed (Ajmal et al., 2018). As a concept of social sustainability, upholding the rights of Indigenous people demonstrates the convergence of positive social and economic development outcomes.

The Declaration highlights the role of culture, cultural heritage, and intellectual property as fundamental to the rights of Indigenous people. A successful example of Indigenous Australians engaging in enterprise and using culture as a means of advancing economic and social conditions is Indigenous art centres. Art centres have become important institutions in remote Australia as they provide people with access to the mainstream art market where only a limited opportunity for economic inclusion exists, and in some instances, represent the only non-welfare form of income available to Indigenous people (Seet et al., 2018). Art centres are also linked to the overall wellbeing of Indigenous people and broader communities by generating positive psychological and emotional impacts (Allain, 2011).

Despite the success of art centres in facilitating cultural production for the art market, commercialisation of culture can lead to conflicting priorities between producers and consumers within the souvenir industry. Indigenous artisans producing handcrafted goods according to cultural protocols (e.g. use of a specific material or production technique) for tourist markets may not be able to price a product to fit the requirements of consumers seeking a low-cost travel memento (Guttentag, 2009). Thus, non-Indigenous firms with capabilities to produce low-cost products, and without legal obligations to follow cultural protocols, are free to appropriate elements or styles of Indigenous culture to meet consumer demands (Guttentag, 2009). In this instance, the non-Indigenous producers are able to exploit the legal environment and take away opportunities for Indigenous people to advance their economic and social conditions through the commodification of culture and intellectual property. The example of non-Indigenous firms participating in the market under these conditions illustrates how firms can engage in socially unsustainable practices in the production of inauthentic goods within the souvenir industry.

Severity of the Distributor’s deception

The relationship between social sustainability and the production of authentic souvenirs has been established as an aspect of human rights. Examining levels of deception is one of the three interrelated factors proposed by DIM to determine the degree to which a business is delivering on sustainability objectives from a supply chain perspective. In the case of the Distributor who was prosecuted by the ACCC, the DIM framework provides a basis for understanding the severity of deception. In a supply chain context, deception can occur between buyer-supplier or organisation-consumer. Deception is the gap between actual claims, practices and outcomes of those practices.

The development of nomenclature for deception relating to sustainability within supply chain literature demonstrates its prevalent in contemporary business. Green-washing and blue-washing (Dadush, 2018) describes the practice of misleading
consumers by misrepresenting the degree to which a product or service is environmentally (green) or socially (blue) sustainable.

The Australian Federal Court found the Distributor in breach of Australian Consumer Law over misrepresenting souvenirs featuring Indigenous style designs as being hand painted by Indigenous people (Australian Competition and Consumer Commission, 2018). The products at the centre of the case were represented to be ‘associated with Australian Aboriginal Art’ and using words in the labels including ‘Aboriginal Art’, ‘genuine’, and ‘Australia’ (Australian Competition and Consumer Commission, 2018). Several products were featured in the case including loose boomerangs, boxed boomerangs, bullroarers, didgeridoos and message stones. Some of the products featured designs licenced by an Indigenous artist. However, the products examined in this case that were in breach of labelling laws were manufactured in Indonesia with designs the firm procured from Internet sources (Federal Court of Australia, 2018).

Blue-washing is applicable to this case as the Distributor made claims on particular products to infer a connection to Indigenous people and local products that do not exist in that form. The deception not only impacts consumers but also the buyers (retailers). When using the DIM model (Figure 1) to investigate the deception, consider the inauthentic supply chain in the Donald Trump quadrant as the supplier deceives with low sustainable impact yet are liked for the low price. The change to the authentic responsible supply chain can risk failure as consumers may not like the increased price despite having an authentic product and thus have made an ethical purchase. However, it is most likely that it shifts to influencer with an outcome being the partial loss of consumers, triggering a new concept/idea being marketed for its sustainability, with a final shift towards maturity. Note though, Robin Hood is a possibility if both supply chains collaborate and find a solution to be authentic and to keep the price in an acceptable price range.

Figure 1: Deception Impact Model (DIM). See also Hammadi et al. (2018)
**Implementation of sustainability practices**

The sustainability orientation of an organisation is significant and is based on sustainability practices to achieve sustainability goals. The DIM proposes a firm’s sustainability orientation on a spectrum between compliance with standards or legal obligations through to internal firm culture. The spectrum has been developed through Goldsmith and Samson’s (2005) four categories of sustainability practices: compliance, conformance, performance, and transformation. Compliance and conformance are on one end of the spectrum, considered a reactive approach to sustainability implementation, and are demonstrated by firms who will only do what is necessary within a particular industry (Goldsmith and Samson, 2005). The DIM proposes the impact of this reactive orientation as an indicator of low implementation of sustainability.

To operationalise this impact in the context of the Australian souvenir market, the Distributor's development chain was examined. A strategic business activity is new product development (Hilletofth and Ericsson, 2010), with the intersection of product development with the supply chain known as the development chain (Primus, 2017). Attributes of products and the supply chain process can be aligned by firms to increase competitiveness (Morita et al., 2018) and thus, influence operations processes.

Two key elements of the development chain are ‘planning and design’ and ‘sourcing’ activities, with product architecture (planning and design phase) connected to the attributes of products. Within souvenir purchasing Revilla and Dodd (2003) found “appearance/utility, traditional characteristics and certification, rarity, local production and low cost” as factors impacting purchases. The Distributor sourced Indigenous symbols from the internet to be incorporated into souvenir products to give the products a particular appearance that would be attractive to customers (e.g. traditional characteristics). Labelling and packaging also inferred local production.

Design sourcing is the primary activity in which the Distributor decouples from human rights within the social sustainability dimension. This represents a key stage during the development chain where a firm can go beyond legal requirements, and ethically source a cultural element which will return positive benefits to Indigenous people, while satisfying product architecture requirements, thus supporting the human rights of Indigenous people to protect, maintain, and control their cultural heritage.

Make or buy decisions is another dimension of the planning and design phase, and supplier selection falls under sourcing activities. A factor influencing souvenir purchases is price. Research has found that price-orientated operations strategy models are less likely to compliment social and environmental sustainability aims (Longoni and Cagliano, 2015). The products considered in this case are at the lower end of the market and there is evidence that the Distributor outsourced production of souvenirs to Indonesia (Federal Court of Australia, 2018). Offshoring production of Indigenous style souvenirs may not result in decoupling from social sustainability as a discrete activity. However, combined with a decision to not include Indigenous people in the design of
the product combined with mislabeling statements on the product’s packaging demonstrates a low commitment to social sustainability.

Consumers and other stakeholders

Within souvenir purchasing there are a variety of customer motivations “including workmanship, sensuous appreciation, cultural linkage and ease of handling” (Hu and Hong, 2007, p. 123). As consumers become more aware of products and manufacturing processes, firms are driven to address sustainability concerns (Mani et al., 2014). Despite customer trends, retailers need to consider balancing the demands of customers who are interested in sustainability, while also guarding against potential loss of market share and sales resulting from sustainable practices (Wilson, 2015).

Within the DIM, organisations able to accomplish positive impacts on consumers, despite relying on deception, are considered to be at the high end a deception severity spectrum. Retailers who knowingly procure products such as those discussed in the Distributors development chain, that disregard the cultural aspect of human rights, and are also priced at the lower end of the market, can satisfy price conscious consumers who are not motivated by ethical purchases. Due to the nature of competitive environments, buyers and suppliers on the supply chain may be motivated to align competitive priorities and have a low commitment to social sustainability. A challenge for business in the operationalisation of sustainable practices is reconciling traditional operations management models that focus on price, markets, and capability, to fit sustainability aims (Longoni and Cagliano, 2015). An internal ‘reactive’ culture towards social sustainability, which relies on maintaining minimum compliance with regulatory requirements, demonstrates the low commitment of those Australian souvenir supply chains to address human rights issues.

Conversely, authenticity is also a dimension motivating souvenir purchasing. Authenticity is considered a social construct, and consumer perceptions of authenticity is shaped by the “social and cultural conditions under which the product was produced” (Littrell et al., 1993, p. 200). It is not the aim to classify which product attributes constitute an authentic Indigenous souvenir product. However, this concept is important when souvenir producers mislabel products and engage in blue-washing as consumers seeking authenticity are at a disadvantage when making an ethical purchasing decision. This is also relevant in a buyer-supplier context as retailers may also be deceived if they are seeking to supply ethical products.

Conclusion ideas

Applying the DIM, this paper contributes to the understanding of product development and supply chain decisions within the Australian souvenir industry with regards to Indigenous art. When examining the Distributors development chain it was revealed that a critical stage in which a firm decoupled from social sustainability practices occurred in the procurement decision supporting a product’s architecture. The paper highlights where Indigenous people should be involved in the development chain for
other non-Indigenous firms selling like-for-like products so as to avoid infringing on human rights as it relates to commodification of culture.

For Indigenous organisations and individual artists, seeking to enter the souvenir industry as a means of economic participation and inclusion, the paper provides an understanding of why specific techniques (such as offshoring) are used to satisfy customer purchase requirements, conversely impacting social sustainability. Additionally, for existing firms within the souvenir industry seeking to satisfy the market for ethical products, the research highlights where deception and decoupling from social sustainability relating to human rights and the cultural paradigm can occur from a production perspective.

Here, we addressed the gap in supply chain and operations management knowledge Indigenous producers face when participating in souvenir markets as established in the Report. Finally, the research contributes to the understanding of cultural paradigms within commodification contexts, as they relate to social sustainability as a concept.

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References


