Linköping Studies in Science and Technology
Dissertation No. 2004

Supply Chain Governance for Social Sustainability

A Study of the Ready-Made
Garment Industry in Bangladesh

Nandita Farhad

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Nandita Farhad

2019

Department of Management and Engineering
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Linköping Studies in Science and Technology, Dissertation No. 2004

ISBN: 978-91-7685-020-6

ISSN: 0345-7524

Printed by LiU-Tryck, Linköping, 2019

Distributed by:

Linköping University

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SE-581 83 Linköping, Sweden

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To the Rana Plaza victims and survivors

About the Author

Nandita Farhad obtained a Master of Science (MSc) degree in Business Administration – Strategy and Management in International Organization (SMIO), from the Linköping University, Sweden, in 2012. In the subsequent year she worked as a programme assistant in SMIO.

Her PhD was initiated at the University of Surrey, the United Kingdom, which provided the primary funding of the project from October 2013 to October 2016. The later part of the project (October 2017 to September 2019) has been completed with support from the division of Industrial Management (INDEK) and Business Administration (FEK), part of the department of Management and Engineering (IEI) at Linköping University, Sweden.

Abstract

This PhD thesis approaches the phenomenon of supply chain governance for social sustainability in the ready-made garment industry in Bangladesh. This research is based on a study of eight large multinational corporations (e.g. clothing brands and retailers) and their ready-made garment suppliers. The purpose of this research is to understand how supply chain governance mechanisms and governance structures improve social sustainability performance when stakeholders are engaged.

The study identifies four main governance systems, namely, market-based, hierarchical control-based, collaborative multi-stakeholder-based and relational cross-sectoral-based. These governance systems are employed in the supply chain by the multinational corporations in combination with different stakeholders, such as suppliers, multi-stakeholder-initiatives, and non-government organisations. The study focuses on the challenges faced by the multinational corporations to ensure social sustainability, whilst at the same time, incorporating suppliers' viewpoints on the consequences of different governance systems for social sustainability.

This research shows the choice of governance structures from market-based, hierarchy-based, collaboration-based and relational-based depend on the cost of managing relationships with the stakeholders and potential risks of governance in a given situation. An effective governance structure for a multinational corporation in a particular context is determined by how well the structure supports governance mechanisms to reduce associated transaction risks that results from potential opportunistic behaviour of the suppliers. In this research, it is argued that governance structure provides the platform for practicing a set of governance mechanisms.

The study claims that social sustainability governance incorporates three mechanisms with separate outcomes: one consists of buyer-driven control-based mechanisms which include codes of conduct, supplier assessment and monitoring, and supplier training for regular social compliance; the second consists of multi-stakeholder-based governance mechanisms for structural compliance when unexpected problems occur, for example, building collapse, electrical and fire safety risks emerge; and the third comprises cross-sectoral governance mechanisms when the multinational corporations involve with non-government organisations for social development of the garment workers and community by facilitating drinking water, health-hygiene, education, and so on.

This thesis contributes to the Sustainable Supply Chain Management literature by expanding knowledge of supply chain governance through bringing an understanding of governance mechanisms, governance structures and stakeholder engagements for social sustainability. As the demand for supply chain governance for social sustainability are growing, this thesis can help responsible corporate sourcing managers to develop a deeper understanding of how supply chain governance can affect social sustainability.

Sammanfattning

Denna doktorsavhandling tar sig an fenomenet leverantörsstyrning för social hållbarhet i klädingindustrin i Bangladesh. Forskningen baseras på en studie av åtta stora multinationella företag, tillika återförsäljare av kläder och välkända klädmärken. Syftet med studien är att förstå hur leverantörsstyrningsmekanismer och styrstrukturer kan förbättra socialt hållbarhetsarbete när flera aktörer är engagerade och samverkar.

Resultatet av studien indikerar att multinationella företag de facto engagerar sig med andra aktörer för att förbättra sin förmåga att bedriva socialt hållbarhetsarbete. Studien identifierar fyra olika typer av leverantörsstyrsystem: ett marknadsbaserat, ett hierarkiskt kontrollbaserat, ett kollaborativt multi-intressentbaserat samt ett relationellt sektorsövergripande system. Dessa styrningssystem tillämpas i leverantörskedjan av de multinationella företagen i samarbete med andra aktörer såsom leverantörer, 'multi-intressentinitiativ' och icke-statliga organisationer. Studien fokuserar dels på de utmaningar som föreligger för de multinationella företagen när det gäller att säkerställa social hållbarhet, dels på hur leverantörer uppfattar konsekvenserna av de olika styrningssystemen för social hållbarhet.

Denna forskning visar att valet av styrstruktur, från marknadsbaserad, hierarkibaserad, kollaborativ och relationell är beroende dels av kostnaden för att hantera och upprätthålla relationer med de olika aktörerna, dels av de potentiella riskerna som föreligger i en viss situation. Vad som utgör en effektiv styrstruktur för ett multinationellt företag i en viss given kontext avgörs av hur väl strukturen stödjer styrningsmekanismer för att reducera transaktionsrisker som bottnar i ett potentiellt opportunistiskt beteende hos leverantörerna. I denna forskning argumenteras det för att struktur ger en plattform för att tillämpa ett antal styrningsmekanismer.

Studien visar att styrning av social hållbarhet omfattar tre typer av mekanismer med olika utgång. En består av köparstyrda styrningsmekanismer som omfattar uppförandekoder, leverantörskontroll och leverantörsutbildning. Den andra består av multi-initiativbaserade styrningsmekanismer av hur det strukturella arbetet för att hantera oväntade problem (t.ex. bygg-, el- och brandsäkerhetsrisker) efterföljs. Det tredje omfattar sektorsövergripande styrningsmekanismer där de multinationella företagen samverkar med lokala icke-statliga organisationer i projekt som syftar till social utveckling (tillgång till rent vatten, hälso- & utbildningsinsatser, etc.) för fabriksarbetarna och det omgivande samhället.

Denna avhandling bidrar till Sustainable Supply Chain Management-litteraturen då den utvidgar kunskapen om leverantörsstyrning för social hållbarhet genom en den ger en ökad förståelse för styrningsmekanismer, styrstrukturer och olika aktörers engagemang för social hållbarhet. I takt med att behovet av leverantörsstyrning för social hållbarhet ökar kan denna avhandling hjälpa ansvariga 'corporate sourcing managers' att utveckla en fördjupad förståelse för hur leverantörsstyrning kan påverka social hållbarhet.

Acknowledgements

I express my gratitude towards all the people involved in the completion of this doctoral thesis. The journey behind this PhD project is a complicated one. I am indebted to the University of Surrey and want to show my gratitude for providing me with three years' worth of financial support. The financial, institutional and intellectual support I received from the University of Surrey have helped me in this journey to a great extent and I will forever remain thankful for that. I would also like to extend my sincere thanks to all of my supervisors from the University of Surrey.

I wish to express my appreciation to the Industrial Management division (INDEK) at Linköping University for giving me the opportunity to complete this PhD. I am also grateful to the Business Administration division (FEK) for its generous support.

I am thankful to my supervisor Heiko Gebauer for his support and guidance. I am particularly grateful to Jakob Rehme, my second supervisor, whose advice and encouragement helped me complete this thesis. This thesis would not have been possible without support from Marie Bengtsson, my second supervisor, who encouraged me to start this PhD, opened my mind being my mentor, helped to keep me sane and optimistic throughout! Thank you for being there for me. My gratitude goes to Per-Olof Brehmer, head of the Management and Engineering (IEI) department, who offered me the opportunity to complete my PhD in Linköping University.

I am indebted to my colleagues in INDEK. Thanks to Johan Holtström for taking me in the division. Special thanks to Emelie, Özgün, Marcus and Mario for their creative insights and support. Thanks to Karin Fredriksson for administrative supports.

I am thankful to Pamela Vang for her valuable help in the thesis. Many thanks to Lars Lindkvist for his helpful comments in the thesis. I am grateful to Besma Gala, Karin Bredin, Andrea Fried, Birgitta Sköld and Svjetlana Pantic Dragisic for their encouragement. Thanks to Jörgen Ljung for his inspiration.

I am thankful to Shammi, Moutusi, Komol, Zakir, Faizul, Montu and others who helped me put my steps in the doors of the participants to conduct this research. I gratefully acknowledge and thank the participants who made this study possible by offering their time and sharing their stories. I particularly would like to show my gratitude to the garment workers for their commitment and for speaking so openly to me which added so much value to this research.

Thanks to Mesbah, Nur, Atanu, Anonya, Amrita and Titli for willingly contributing your time to this book. Thank you, Arif and Mohsin for your wonderful drawings in the book cover.

Thank you Joakim Frögren for your love and encouragement. Special thanks to my brothers and sisters for your love, understanding and continuous inspiration. My deepest gratitude goes to Akhter Banu, Rizia Begum, Shamima Sultana, Maleka Banu, Rashida Khanam, Nora Shariff, Fran Handrick and Lena Frögren for your endless love and support. I am forever grateful to my mother, Rasheda Khanam, without whom I would not be able to see the beauty of life. Finally, a massive thank to both my Bangladeshi and Swedish family and my friends for giving me the confidence and strength to reach the end of this PhD journey.

Nandita
Linköping, 2019

List of Abbreviations

Abbreviation	Description
Accord	Accord on Fire and Building Safety
Alliance	Alliance for Bangladesh Worker Safety
BFPE	Bangladesh Fire Prevention and Extinguishing
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BNBC	Bangladesh National Building Code
BUET	Bangladesh University of Engineering and Technology
BSCI	Business Social Compliance Initiative
BSR	Business for Social Responsibility
CoC	Codes of conduct
CMT	Cutting-Making-Trimming
CSR	Corporate Social Responsibility
ETI	Ethical Trade Initiatives
ILO	International Labor Organization
MNC	Multinational Corporation
MSI	Multi-stakeholder Initiative
NFPA	National Fire Protection Association
NTPA	National Tripartite Plan of Action
NGO	Non-government Organization
OHS	Occupational Health and Safety
RAJUK	Rajdhani Unnayan Kartripakkha
RMG	Ready-Made Garment
SEDEX	Supplier Ethical Data Exchange
SCM	Supply Chain Management
SSCG	Sustainable Supply Chain Governance
SSCM	Sustainable Supply Chain Management
TBL	Triple Bottom Line
TCE	Transaction Cost Economics
WRAP	Worldwide Responsible for Accredited Production

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Chapter 1. Introduction

Twenty-year-old Aysha¹ gets up at five in the morning every day, cooks and packs her lunch, then goes to work in a garment factory. She earns 5100 Taka (\$62 US) per month. Her family depends on the money she sends them regularly. Four years ago, when she was just sixteen, her family wanted to marry her off. Her parents, though only poor farmers, were ready to pay a small amount of dowry to her future husband for the marriage. She ran away from home and got herself a job in the garment factory instead. Aysha walks to the garment factory every morning with a group of workers and comes back home on foot at night. One can easily notice the stream of women workers on the streets of Dhaka at dawn and dusk. The ready-made garment (RMG) industry in Bangladesh employs 3.5 million people, of whom more than 90 percent of the total labour force are women (ITUC, 2012, p.7). The RMG industry brings positive social changes for people like Aysha and her fellows by increasing social capabilities, as it is transforming the traditional role of women in Bangladeshi society from being homemakers to production workers through ‘occupational mobility’. It is also bringing forth the migration of women from rural to urban areas and preventing early marriages (Hossain, 2012; Feldman, 2009; Dannecker, 2002). The RMG industry increases the prospects of employment for women, but also makes them vulnerable to exploitation (Choudhury et al., 2016). Even though the women workers are predominantly unskilled or semi-skilled, factory owners still prefer them as they are cheaper, abundantly available, reluctant to join labour unions and more easily manageable than male workers (ibid). These women are exposed to workplace hazards due to unsafe working conditions, low wages, irregular and non-paid wages, harassment and abuse by their super-ordinates and male colleagues - a situation common in most of the factories (Begum et al., 2010; Ali et al., 2008). In addition, some of the workers are victims of catastrophic incidents², such as the fire in the Tazreen fashion factory in 2012, the fire in the Garib and Garib and Ha-Meem factory in 2010, the building collapse in Spectrum Sweater Industries Ltd and Shahriar Fabrics in 2005. Among these industrial accidents, the ‘Rana Plaza’ collapse in 2013 is considered to be the worst and ended in a death toll of 1,135 with an additional 2,515 injured workers (Alam and Hossain, 2013³). A Rana Plaza victim described her experience as follows: *“Two of my co-worker friends were not fortunate enough to survive. I could not sleep anymore. Every time I closed my eyes, I heard my wounded friends calling out for help. I wished it was me, instead of them, who died under the wreckage that day”*.

¹Fictive name

²Workplace death report by Safety and Rights, available at: <http://safetyandrights.org/publications/ownpublications/>

³Alam, J. and Hossain, F. (2013) Bangladesh collapse search over death toll 1,127. Yahoo (online). Available at: <http://news.yahoo.com/bangladesh-collapse-search-over-death-toll-1-127-122554495.html> (Accessed on 10 July 2017).

After the Rana Plaza disaster, sustainable supply chain management in the RMG got renewed interest from the industry and academic (Huq et al., 2016; 2014a,b). The factory building collapses and repetitive fire occurrences pose these important questions - is the implementation of codes of conduct imposed by the multinational corporations useful at all; and if not, then, what is the solution?

1.1. Research background

Over the past few years, many headlines have appeared in the media regarding working conditions, safety violations and low wages in the RMG industry. Many multinational corporations (MNCs), such as Gap, Primark, Walmart, H&M, Benetton, TopShop and other clothing brands and retailers in 'developed' countries who buy garments from the suppliers (e.g. manufacturers) of the 'developing' countries⁴, have been getting the media attention for these social sustainability issues. The MNCs are at the centre of the supply chain which encompasses both the supply side and the customer side. Therefore, the terms 'MNCs' and 'buyers' are used interchangeably in this thesis. The buyer-supplier dyad forms the core of the upstream supply chain. The MNCs, also known as 'focal companies', 'focal firms' or 'lead firms', usually design the products. The MNCs as buyers have direct control of the tier-one suppliers and enjoy direct consumer access.

The MNCs experience visibility with customers and are in the spotlight of the other stakeholders (Seuring and Müller, 2008). Stakeholders, such as international trade unions, activists and international non-government organisations (NGOs) have organised public demonstrations and run media campaigns to create consumer attention and public awareness about the MNCs' failure to guarantee social sustainability in the countries of their sourcing (Deegan and Islam, 2014). The MNCs need to provide answers to the stakeholders (mentioned above) about their performance in managing social sustainability issues in their upstream supply chain (Yu and Choi, 2016; Huq et al., 2014a; Perez-Batres et al., 2012; Tate et al., 2010; Seuring and Müller, 2008). Such pressure has encouraged the MNCs to develop strategies that generally go beyond their traditional corporate governance boundaries and reach their supply chain (Gimenez and Sierra, 2013).

⁴ The terms 'developing' and 'developed' countries are used, because 'sustainability' is a concept constructed around the discourse of 'sustainable development' generated by 'developed' countries.

The most visible indicator of this is that MNCs are declaring their commitment to sustainability through codes of conduct (Jiang, 2009b; Preuss, 2009) in which they state that they will take responsibility for reducing environmental harm and enhancing the social sustainability of their suppliers by eliminating child labour, ensuring the health and safety of workers and also ensuring workers' rights (Pagell and Shevchenko, 2014). The MNCs are now increasing their efforts and pushing their suppliers to meet social sustainability requirements. Sustainable supply chain management (SSCM) is becoming essential as it aims to ensure compliance with the codes of conduct, seeks to obtain legitimacy by answering the stakeholders' calls and upholds corporations' commitment towards ethical business conduct (Marshall et al., 2016; Yawar and Seuring, 2015). Therefore, a growing awareness is prevalent today among the corporate responsibility managers (or sustainable sourcing professionals) of the multinational retailers and brands, about the need to ensure that suppliers have decent working conditions, as well as ensure that ethical sourcing or fair trading will be performed along the supply chain.

Previous studies in SSCM (Yawar and Seuring, 2015; Huq et al., 2014a; Mena et al., 2013; Krause et al., 2009; Jiang, 2009a) has primarily focused on examining isolated parts of the supply chain, e.g. either buyers or suppliers. To study one actor (e.g. buyer) and not know the perspectives of other actors (e.g. suppliers) does not give a holistic picture, as the buyer's social sustainability performance depends on how well the suppliers perform (Sancha et al., 2016a; Klassen and Vereecke, 2012). Additionally, research indicates that various stakeholder groups, (such as investors, employees, customers, civil society, non-governmental organisations, governments, media) 'who can affect' the MNCs (Freeman, 1984), play a key role in 'pressurising' the MNCs to address social sustainability in their supply chain (Yu and Choi, 2016; Deegan and Islam, 2014; Huq et al., 2014a; Perez-Batres et al., 2012; Ehr Gott et al., 2011; Tate et al., 2010; Tsoi, 2010; Seuring and Müller, 2008). However, less is understood about this stakeholder engagement beyond 'pressurising' to improve social sustainability.

Moreover, managing a large number of suppliers and measuring social sustainability performance impact is challenging. Social sustainability performance (e.g. setting fair wages and reasonable working hours with appropriate overtime payments, eliminating gender discrimination and harassments, improve working conditions, ensuring worker rights and reducing health and safety risks) can be difficult to measure because of its subjective and qualitative nature (Pullman et al., 2009). In addition, social sustainability may require investment without a guarantee of financial return on investment (Lüdeke-Freund et al., 2016).

It can even increase indirect costs in the short term (Klassen and Vereecke, 2012; Wu and Pagell, 2011). This research does not pursue the answer to the question: “does being (socially) sustainable improve economic performance?” (Pagell and Shevchenko, 2014, p. 49), as the relationship between a company’s economic performance and sustainable supply chain management (SSCM) is ambiguous (Touboulic and Walker, 2015; Pagell and Shevchenko, 2014). Instead, this research focuses on social sustainability, in order to understand how supply chain governance can improve social sustainability performance.

Given the growing importance of supply chain governance for sustainability, it has been reflected in recent years research into the field of sustainable supply chain management. Sustainable supply chain governance (SSCG) refers to governance practices carried out by focal companies beyond corporate governance (which is within their own corporate boundary) into their supply chain partners (Formentini and Taticchi, 2016). Early publications on SSCG have focused on governance through supply chain networks (Bush et al., 2015; Vurro et al., 2009). Much of the SSCG research deals with the governance mechanisms used by the buyers for their suppliers through formal control (also known as assessment) and/or informal control (also known as collaborative relationships) (Sancha et al., 2016a; Gimenez and Sierra, 2013; Alvarez et al., 2010). Although these researchers have made considerable contributions to the study of SSCG, the empirical evidence of these research is limited to the vertical collaboration between buyer-supplier. Literature on SSCG, although flourishing, has paid little attention to the wider approach, where governance through horizontal collaboration with stakeholders is considered.

1.2. The problem of interest

Research often addresses the use of assessment through supplier monitoring and buyer-consortium auditing as ‘buyer-driven control-based governance mechanisms’⁵ to improve social sustainability performance in the supply chain (Huq et al., 2016; Ashby et al., 2012; Preuss, 2009). Other studies claim that buyer-driven governance is not necessarily effective due to buyers’ conflicts of interest (Egels-Zandén and Lindholm, 2015; Lund-Thomsen and Lindgreen, 2014). Buyers (the MNCs) may place high-quantity orders over a short time period to suppliers from developing countries. To fulfil the production targets, suppliers often force excessive overtime on their workers to speed up production lines (Jiang, 2009a). In this way,

⁵ Buyer-driven control-based governance mechanisms is a form of ‘assessment-based’ governance mechanisms (Sancha et al., 2016a; Gimenez and Sierra, 2013)

the MNCs become part of the problem instead of being part of the solution to upholding sustainable supply chains.

Nonetheless, when the MNCs are operating in the developing countries, because of weak governmental regulations of appropriate labour standards, the MNCs are not only obliged to follow the legislation, but are also responsible for filling key 'regulatory gaps' by acting as regulators (Mena and Palazzo, 2012; Crane and Matten, 2007; Carroll and Buchholtz, 2006; Reed, 2002). For instance, the RMG industry of Bangladesh has been mostly self-governed since its initiation in the 1990s because there were lack of legislation until 2006. The National Labour Act reformed for the first time in 2006 and some amendments made in 2013⁶. There is a lack of legal enforcement in Bangladesh which creates a wide regulatory gap (Huq et al., 2016). Furthermore, the associational and structural power of trade unions in Bangladesh is low in terms of having the capability to mobilise labour movements into taking collective actions (Tighe, 2016; Rahman and Langford, 2014). Therefore, local trade unions which do not have appropriate conditions and a capability for exercising collective bargaining, cannot put pressure on the garment suppliers pay fair wages and ensure workplace safety for the workers. Moreover, some of the largest factory owners are among the very powerful parliament members who also hold top positions in the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) (Tighe, 2016). The Bangladeshi RMG industry is an example of where an MNC alone cannot solve the sustainability issues, but also requires collaboration with the stakeholders. This calls for an alternative governance mechanism to manage the complex supply chain problems.

One such alternative governance mechanism is multi-stakeholder initiatives (MSI), suggested by the corporate social responsibility (CSR) scholars Mena and Palazzo (2012) and Scherer and Palazzo (2011). This is the opposite of a traditional buyer-driven command-and-control system. An MSI is a horizontal form of collaboration that requires the involvement of multiple actors: corporations; non-government organisations; civil society and trade unions. Examples of these MSIs are the Ethical Trade Initiative (ETI), the Global Reporting Initiative (GRI) and the Fair Labour Association (FLA). The MSIs perform different types of activities, such as providing guidelines for best practices and product labelling, designing standards, monitoring implementation of standards, issuing certifications after verification of compliance with the

⁶ The Bangladesh Labour Act, 2006 where the Bangladesh Labour (Amendment) Act 2013 is included (English translation), Available at: <https://osmanlaw.files.wordpress.com/2016/11/bangladesh-labour-act-2006-english.pdf>

standards (Scherer and Palazzo 2011). Every MSI is quite different in terms of purpose, activities, target audience and the issues it handles (Scherer et al., 2016).

One could imagine that control-based and multi-stakeholder-based governance mechanisms would be sufficient enough to solve social sustainability issues. However, social sustainability problems (such as less readily available healthcare, education, transportation, water and sanitation, electricity and such facilities) in the countries of the MNCs operations are widespread (Scherer et al. 2014; Doh and Guay, 2004), because of 'institutional voids' resulting from public sector incapability (Khanna and Palepu, 1997). The MNCs actively engage with non-business stakeholders, e.g. non-government organisations (NGOs), to gain new knowledge and expertise to solve complex sustainability problems in the supply chain (Herremans et al., 2016; Reed and Curzon, 2015; Boddewyn and Doh, 2011).

Furthermore, the MNCs face transaction risks when the other party in the business transaction acts opportunistically and avoids their (supplier) agreed-upon responsibilities for social sustainability. Previous research in SSCM show the dishonest practices, like, paying low wages, using double time sheets for book-keeping and engaging in the unauthorised conduct of subcontracting by suppliers (Huq et al., 2016; Huq et al., 2014a; Welford and Frost, 2006). Williamson (1979; 1985; 1991) introduces transaction cost economics (TCE) that assumes that the possibility of opportunism by one party increases the transaction costs of monitoring, bargaining, and exchanging information. Transaction costs are key factors in determining the governance structure: market, hierarchy and hybrid (collaborative) in exchange relationships (Williamson, 1985). According to TCE, the choice of effective government structures would depend on both the potential risks of poor governance decisions derived from human behavioural factors (bounded rationality and opportunism) and the direct costs of managing relationships for economic-environmental factors (asset specificity and uncertainty/complexity) (Williamson, 1985).

In this thesis, the concepts of 'governance structures' and 'governance mechanisms' are used differently. 'Governance structures' are created through managing transactions between exchange parties. There are market, hierarchical and hybrid structures, based on TCE (Williamson, 1979; 1985; 1991). 'Governance mechanisms', on the other hand, include 'control-based' and 'relationship-based' mechanisms (Sancha et al., 2016a; Gimenez and Sierra, 2013; Alvarez et al., 2010). In this thesis, formal 'control-based' mechanisms concern

setting standards, implementing those standards and enforcing sanctions for not meeting the standards, and ‘relationship-based’ mechanisms relate to informal control without imposing any sanction.

1.3. Research purpose and questions

The purpose of this research is to understand how supply chain governance mechanisms and governance structures improve social sustainability performance when stakeholders are engaged.

The first research question has been formulated on the basis of a literature review on sustainable supply chain governance:

R.Q. 1. How are governance mechanisms applied and what effect do these governance mechanisms have on suppliers’ social sustainability?

The second research question has been formulated with transaction cost economics (Williamson, 1979; 1985; 1991) in mind:

R.Q. 2. What governance structures can generate effective outcomes for social sustainability with reduced associated transaction risks, while supporting a set of governance mechanisms?

The third research question has been formulated on the basis of stakeholder theory (Freeman, 1984):

R.Q. 3. How can stakeholder engagement create improved social sustainability performance?

1.4. Outline of this thesis

The dissertation consists of nine chapters. In this introductory chapter, problems of interest, the conceptual starting point and the purpose of study are briefly introduced. Chapter *two* provides a background through a literature review of the sustainable supply chain management field to which the research belongs and contributes. The reader will find a theoretical discussion in Chapter *three*, where the theoretical knowledge domain – transaction cost economics and stakeholder theory, are presented and discussed. Chapter *four* shows the methodological underpinning of the data collection and data analysis. Chapter *five* presents the empirical subject matter – a study of the ready-made garment industry. Chapter *six* presents an interpretation of

the empirical subject matter presented in chapter five and answers the first research question. Chapter *seven* presents the governance structures which provides answers to the second research question. Chapter *eight* presents stakeholder engagement for social sustainability performance which provides answers to the third research question. The final chapter of this thesis, Chapter *nine* contains conclusion and contributions of the study, and provides suggestions for future research.

Table 1.1. Outline of the thesis

Chapters titles		Explanation of the chapters
Sustainable supply chain management	Chapter 2	Literature review to identify and understand the content of the SSCM field
Theoretical foundation	Chapter 3	Setting the theoretical lenses: transaction cost economics and stakeholder theory
Research methods	Chapter 4	The research methodological underpinning and methods of data collection and analysis
The ready-made garment industry	Chapter 5	Empirical subject matter of this thesis
Supply chain governance mechanisms for social sustainability	Chapter 6	Interpretation of data through conceptual analysis
Governance structure for social sustainability	Chapter 7	The choice of effective governance structures for social sustainability
Stakeholder engagement for social sustainability	Chapter 8	Comprehending stakeholder engagement for social sustainability and corporations' social sustainability performance
Conclusion and contributions	Chapter 9	Contributions and future research

Chapter 2. Conceptual point of Departure: Sustainable Supply Chain Management

This chapter provides foundation of knowledge through comprehensive literature review of the sustainable supply chain management (SSCM) field to which the research belongs and contributes. The core of the chapter is the sustainable supply chain governance (SSCG) within the field of SSCM, as the purpose of the thesis is to understand how social sustainability governance can improve social sustainability. The chapter is divided into three sections to support the overall purpose of the thesis (see table 2.1). The *first* section provides an overview of the SSCM literature to give traces of advancement in the evolving area. Special focus is given on social sustainability to justify the continuation of the research in the field. In the *second* section of the chapter outlines the literature review of sustainable supply chain governance mechanisms to identify main ideas and major themes that also indicates gaps in previously existing research works. The *third* section of the chapter presents the multi-stakeholder initiatives to give an insight of alternative governance mechanisms that brings new perspectives to the research phenomenon. The following table shows the organisation of this chapter.

Table 2.1 Overview of chapter 2

2.1. Sustainable supply chain management (SSCM)	2.2. Sustainable supply chain governance (SSCG)		2.3. Multi-stakeholders Initiatives (MSIs)
2.1.1. Social Sustainability 2.1.2. Barriers, enablers and drivers 2.1.3. Social sustainability performance 2.1.4. Socially responsible sourcing 2.1.5. SSCM beyond buyers-suppliers	2.2.1. Control-based governance mechanisms - Compliance - Code of conduct - Supplier selection - Supplier assessment or evaluation - Supplier monitoring or auditing - Acquiring certificates and standards	2.2.2. Relational-based governance mechanisms - Supplier development - Supplier involvement	

2.1. Sustainable Supply Chain Management

In recent years, sustainability in supply chain management has developed as a major concern for corporations (Yawar and Seuring, 2015; Walker et al., 2015; Wu and Pagell, 2011; Pullman

et al., 2009; Seuring and Müller, 2008). According to the Brundtland report, sustainability means “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p.43). Since the publication of Brundtland report sustainability is defined and interpreted in a wide range of ways. The best-known approach is ‘The Triple Bottom Line’ (TBL) concept that integrates the three sustainability dimensions – economic, environmental and social, and which is fundamentally economically driven (Elkington, 1997; Carroll, 1979; Giddings et al., 2002). TBL is also known as the ‘triple P’ of management - people, planet and profit (Dyllick and Hockerts, 2002) and the ‘triple E’ perspective - economy, ecology, ethics (Gladwin et al., 1995); or ‘3-E’ triad of economy, environment and equity (Grinde and Khare, 2008). In addition, Closs and Speier (2011) recognise education as an important dimension of the sustainability framework with its focus on economic, environment (usage reduction) and ethics (relationship management). Multinational corporations may have different focuses to their sustainable supply chain management. Some prioritise environmental or green aspects, while others emphasise social issues, such as ensuring that the people they employ have decent working conditions, fair wages and working hours and so on (Walker and Jones, 2012).

Sustainable supply chain management (SSCM) has been defined by Seuring and Müller (2008) from the operations and production management perspective as “the management of material, information, capital flows as well as cooperation and collaboration among organisations along the supply chain, while committing to achieve all three dimensions of TBL into account which are derived from customer and stakeholder requirements” (p. 1700). In addition, Pagell and Wu (2009) point out that any organisation that is driven to simultaneously achieve economic, environmental and social benefits has the ambition to be a true sustainable enterprise. From aims to be a true sustainable supply chain, organisation efforts on not creating harm to nature and social systems, instead creating positive impacts on the environment and society are considerable criteria for measuring progress (Pagell and Wu, 2009, p.38). Similarly, Carter and Easton (2011) argue that all three dimensions are essential for sustainability in the supply chain, as it is not enough for the organisation to simply be profitable. On the other hand, Lüdeke-Freund et al., (2016) argue that TBL dimensions are potentially conflicting, as optimising one might be detrimental to the other. However, there is a trend in literature to study either one dimension, or combination of two sustainability dimensions. The strategies for the SSCM literature review can be found in the methodology chapter (section 4.3.1).

SSCM literature has predominantly dealt with supply chain plans and practices for environmental dimensions of sustainability - also known as the green supply chain, as there is an increase in environmental-conscious customers (Caniels et al., 2013; Colicchia et al., 2013; Igarashi et al., 2013; Genovese et al., 2013; Lee and Klassen, 2008). The economic-environment sustainable production has measurable benefits, whereas social-economy and social-environment are considered more ambiguous because of the complexity involved in measuring performance (Banerjee, 2010). Although scholarly attention to social issues has grown in recent years, the discussion in this chapter shows that there is a need for more studies to develop better understanding of the social impact of various supply chains; something that is also claimed in previous research (Rajeev et al., 2017; Touboullic and Walker, 2015; Ashby et al., 2012; Wu and Pagell, 2011).

Perceiving an organisation as a value-based social system, social sustainability is conceptualised as “the processes by which social health and wellbeing are initiated and nourished both now and, in the future, where these processes are both the means and ends of social sustainability” (Pullman and Dillard, 2010, p.746). The complex pattern of social sustainability is indicated in this definition. Certain aspects of social sustainability are essential and necessary to sustain the social system, which should not be systematically degraded for prioritising profit generation (Broman et al., 2017).

Based on existing literature, the following sections include a discussion that takes its starting point in social sustainability (2.1.1) and continues by identifying the barriers-enablers-drivers of social sustainability (2.1.2). Difficulties of measuring performance outcomes (2.1.3) is explored. Finally, the discussion focuses on the upstream supplier context, known as socially sustainable sourcing (2.1.4) and which involves actors beyond buyers-suppliers for sustainability management (2.1.5).

2.1.1. Social Sustainability

Social sustainability is multi-dimensional. Different authors identify the aspects of social sustainability from various angles - human needs theory, political science and other social sciences (Missimer et al., 2016). To some authors, human provisioning and satisfying internal stakeholder (e.g. employees of the company) and external stakeholder (e.g. affecting supplier, supplier's workers, local communities') needs (Bai and Sarkis, 2010) belongs in the domain of

the social dimension that represents physical fulfilment (e.g. health and safety) (Giddings et al., 2002), social equity (Dempsey et al., 2011) and social justice (Hopwood et al., 2005). Other authors identify the social challenges, i.e. child labour in the sweatshops, poor working conditions, low wages and long working hours, workers' rights and health and safety risks in the fashion and apparel industry (Pedersen and Andersen, 2015; Pedersen and Gwozdz, 2014). Yawar and Seuring (2015) carry out a literature review and point out seven groups of social issues: child labour; human rights; health and safety; working conditions; development of minorities; inclusion of disabled and marginalised people; and gender issues. Social issues can be as broad as dealing with human rights, welfare, community development to as narrow as dealing with working conditions (Klassen and Vereecke, 2012). Social issues in the supply chain have been defined as "aspects related to products or processes that affect human security, well-being and community development" (Klassen and Vereecke, 2012, p.103). They suggest that three points need to be considered for social sustainability: "what" (i.e. social issues), "who" (i.e. the affected parties - can be workers in the suppliers' domain, community) the focal company should be responsible for, and knowing "how" (i.e. governance mechanisms) to manage the supply chain for ensuring social sustainability (Klassen and Vereecke, 2012).

The scope of social sustainability in the SSCM articles deal with social issues for "socio-economic rights" within a supply chain context. In the light of corporations' social performance in the supply chain, socio-economic rights include: the improvement in health and safety of workers; working conditions; worker rights; and community development (Perry et al., 2015; Huq et al., 2014a; Preuss and Brown, 2012; Awaysheh and Klassen, 2010; Andersen and Skjoett-Larsen, 2009; Preuss, 2009; Maloni and Brown, 2006). In terms of social issues, worker welfare and community specific problems are rarely discussed in the supply chain research (Walker et al., 2015; Pagell and Wu, 2009). A narrower focus on the social issues can impose significant operational risks on the supply chain (Klassen and Vereecke, 2012). However, an effective identification of social issues are the primary steps to improve the social sustainability performance across the supply chain (Yawar and Seuring, 2015).

2.1.2. Barriers, Enablers and Drivers of Social Sustainability

A vast amount of literature studies internal and external barriers, enablers, and drivers of social sustainability. The barriers are the constraints for managing a sustainable supply chain, or the weaknesses within the organisations that make it difficult to develop a sustainable supply chain (Seuring and Müller, 2008). *Barriers* for practicing social sustainability are mainly economic, e.g. high cost of adaptation, low price offer by the buyers, focus on cost reduction, lack of resources; as well as lack of competence, training, commitment, communication problem, lack of information sharing or retrieving relevant information from suppliers (Walker and Jones, 2012; Seuring and Müller, 2008). *Enablers* are defined as variables or reasons that motivate the organisations for attaining SSCM (Diabat et al., 2014). Enablers are synergistic combinations of tangible and intangible resources, firms' capabilities, and supply chain configuration (Varsei et al., 2014). SSCM researchers identify various enablers to allow MNCs to engage with suppliers, such as state, normative, and strategic enablers. State enablers include governmental regulatory or legislative pressure (Bradly, 2015). Normative enablers include organisational and ethical values, organisational cultures, top management commitment and attitudes towards social sustainability, awareness of the importance of sustainability, and the religious beliefs of the business managers (Moyeen and West, 2014; Foerstl et al., 2015; Vurro et al. 2009). Strategic enablers include increasing capabilities, desire to reduce cost, improving operational process, avoiding fines, reducing risks, customer satisfaction, improving corporate image, improving reputation, increasing market opportunity, and enhancing competitive advantage (Huq et al., 2016; Diabat et al., 2014; Welford and Frost, 2006). Furthermore, *drivers* are the motivation factors for the development of sustainable supply chain (Foerstl et al., 2015). Varsei et al. (2014) identified internal and external drivers of sustainability. Internal drivers are the proactive measures of the organisation, and external drivers are the influential institutional pressures from stakeholders (suppliers, retailers, customers, government).

It is hard to find a single best enabler or driving factor, because a particular enabler cannot ensure a similar impact on sustainability performance of every supply chain (Govindan et al., 2016). The contingency and contextual circumstances of the organisations in the supply chain influence the approach of the sustainability management (Walker and Jones 2012). Moreover, it is difficult to incorporate social dimension into supply chain performance measure of the organisations (Cetinkaya, 2011), as it is hard to recognise the financial benefits of social sustainability in the supply chain (Pullman et al., 2009).

2.1.3. Social Sustainability Performance

Sustainability performance outcome is the ultimate aim of the organisations undertaking SSCM (Yawar and Seuring, 2015). In a conventional supply chain, performance is generally measured through costs, flexibility, dependability and quality (White, 1996). Sustainability performance for social issues can be conceptualised as the measurement of the issues that concern society (Yawar and Seuring, 2015). Many authors suggest that the basic performance outcomes measure of social indicators can be either based on CSR (Varsei et al, 2014) or non-economic and indirect supply chain activities (Yawar and Seuring, 2015). The common indicators for social sustainability performance mostly refer to better working conditions, improvement of health and safety and fair treatment of employees (Sancha et al., 2016a; Varsei et al, 2014). There are several significant aspects of social sustainability performance, such as eliminating abuse of human rights, child labour, long working hours, discrimination; and ensuring the workers' right, improving health, safety and welfare (Baskaran et al., 2012).

There is a lack of composite indicators for what social issues should be incorporated into a sustainable supply chain, which makes it challenging to measure the impact of social sustainability performance (Winter and Lasch, 2016; Yawar and Seuring, 2015). One reason lies in the fact that human elements of sustainability are particularly difficult to attain within the supply chains of the textile and clothing industry or that they may not even represent an appropriate goal for corporations (Boström and Micheletti, 2016). This is because, social benefits are considered less tangible with subjective and qualitative indicators, and social sustainability is often contained within relationships rather than processes (Dempsey et al., 2011). Additionally, social sustainability outcomes may require investment without a guaranteed return on investment (Lüdeke-Freund et al., (2016). Even the implementation of social initiatives can increase indirect costs in the short term (Wu and Pagell, 2011). Alternatively, other emphasise that social sustainability initiatives through long-term buyer-supplier relationships based on norms specific governance by training and education can result in financial benefits (Cramer, 2008; Carter and Rogers, 2008).

Moreover, in the management of social sustainability, the increasing focus on harm reduction rather than harm elimination has been criticised (Pagell and Shevchenko, 2014; Wu and Pagell, 2011; Pagell and Wu, 2009). Corporations that focus on harm reduction run the risk of becoming unsustainable or irresponsible in terms of supply chain management, as focusing on

harm reduction offers limited insight into how to create a socially viable supply chain (Thornton et al., 2013). Instead, focusing on eliminating harm can create regenerative impacts on social system (Pagell and Shevchenko, 2014). Therefore, “being (socially) sustainable to improve economic performance” (Pagell and Shevchenko, 2014, p. 49) is not what a corporation should strive for, but instead today’s responsible sourcing managers need to attempt to create positive outcomes for social and eco systems through the supply chain to be sustainable. Yet, measuring social sustainability performance is challenging because of the dynamic nature of social issues (Pullman et al., 2009). Hence, various authors (Varsei et al, 2014; Kaynak and Montiel, 2009; Seuring and Müller, 2008) advocate the need to develop a social sustainability performance framework that can be used as tool to measure socially sustainable supply chain performance of the organisations.

2.1.4. Socially Sustainable Sourcing

In practice, the social dimension is still not directly incorporated into the supply chain sustainability performance measures of many organisations (Beske-Janssen et al., 2015; Cetinkaya, 2011). Some multinational corporations claim to have a sustainable supply chain in the CSR or in the ethical reports available on their official webpages (Perez-Batres et al., 2012). However, practicing the actual implementation of social sustainability policies is a much more complex operation. Due to the structural complexity of a full scale supply chain, it is very difficult to map full scale supply chains in industries like retail, food, fashion/apparel, textile/clothing, electronics, automobile and so on (Varsei, 2016). Tracing all the actors in a supply chain for a multinational company (e.g. retailer or brand) from its producers to its near end-consumers, can be a remarkably challenging job, as a supply chain may consist of a large number of individual companies.

To gain a deeper understanding of the social aspect of sustainability management, some recent research (Huq et al., 2016; 2014a; 2014b; 2013; Zorzini et al., 2015) initiatives have been made to study the upstream supply chain, specifically focusing on social sustainability by taking the suppliers’ and in particular, developing country suppliers’ perspectives and actions. The study of the social aspects of the SSCM agenda define that the upstream management of the supply chain is *Socially Responsible Sourcing (SRS)* (Zorzini et al., 2015). Who conducts socially responsible sourcing? Various researchers have argued that responsible or sustainable sourcing is conducted by the multinational buying firms, mainly by their purchasing professionals and

merchandisers (Andersen et al., 2016; Foerstl et al. 2010). Other argue that sustainable supply chain management requires collaborative activities between buyers and suppliers (Huq et al., 2016; Adebajo et al., 2013).

In addition, a focal company's social sustainability performance depends not only on their own performance, but also on how well their suppliers perform in social sustainability (Klassen and Vereecke, 2012). Dubois and Pedersen (2002) indicate that the "[supplier] performance will be a function of all its relationships that is relative to each individual buyer [customer]" (p. 40). Understanding SSCM either from focal firms' or suppliers' perspectives gives a fragmented and incomplete view, as the "actions of single actors are ineffective if they are not acted upon by other actors" (Ritvala and Salmi, 2010, p. 899). Therefore, to understand sustainable supply chain management through interaction between buyers-suppliers is necessary to taking into consideration suppliers' perspectives.

Little existing research specifically incorporates supplier perspectives for identifying the supply chain management for social sustainability in the RMG industry of Bangladesh (Huq et al., 2014a; 2016). The research, which is based on four case studies in supplier factories, claims that a shift from audit-based monitoring to open dialogue was an enabler of social sustainability. On the other hand, the misalignment between the requirements of codes of conduct with the cultural and socio-economic context for implementation is considered to be barrier for social sustainability. In addition, motivating factor for implementing social standards is labour retentions to other factories that create skill labour shortage (Huq et al., 2014a). Another study considers both buyers' and suppliers' perspective for exploring social management capabilities that include auditing, collaboration and innovation among the MNCs and their suppliers (Huq et al., 2016). This earlier research finding shows two important criteria for social performance improvement: one, a buyer-directed social compliance audit compared to a supplier-arranged third-party audit, and two, collaboration with suppliers through dialogue (ibid).

However, anecdotal evidence from the media and earlier research show that the suppliers find the easiest way by providing false documents to the auditors and that they engage in unauthorised subcontracting, while facing the contradictory demands of sustainability and profit (Sinkovics et al., 2016; Kurpad, 2014). The suppliers also continuously threaten the workers to withdraw them from the production process when there is labour unrest for increasing wages and benefits, as the associational power of trade unions in Bangladesh is low

(Tighe, 2016; Reinecke and Donaghey, 2015). In this situation, international media, international trade unions and international non-government organisations can play an important role as watchdogs by monitoring and reporting, whether the corporations are taking any measures to tackle the social failures in their suppliers' domain (Deegan and Islam, 2014; Islam, 2010). Several research papers indicate that multinational corporations engage in SSCM because of the pressure from the external stakeholder agencies, such as customer groups, NGOs, media, civil society and other stakeholders (Yu and Choi, 2016; Yawar and Seuring, 2015; Varsei et al. 2014; Seuring and Müller, 2008; Clemens and Douglas, 2006). Yet, only a few researches mention non-government organisations (NGOs) participate more than a watchdog over corporation's sustainability initiatives.

2.1.5. SSCM Beyond Buyers-Suppliers

SSCM research is slowly moving from the single firm or organisational focus to address management of sustainability through the buyer-supplier and beyond (Walker et al., 2015; Seuring and Gold, 2013). The literature on SSCM that discusses stakeholder engagement beyond buyers-suppliers can be categorised into: product stewardship (Halldórsson et al., 2009); product labelling (e.g. Fairtrade) (Moxham and Kauppi, 2014; Moxham and Karjalainen, 2013); stakeholder engagement through dialogue and reporting (Herremans et al., 2016); and engagement with NGOs (Rodríguez et al., 2016a; 2016b).

Product stewardship is a product centered approach for SSCM. Based on this approach, product manufacturers take the responsibility to reduce carbon emissions while producing environmentally friendly products (Halldórsson et al., 2009). Labelling is a stamp of product sustainability that is used towards gaining legitimacy in the eyes of the customers (Moxham and Karjalainen, 2013), e.g. Fairtrade (Fairtrade, 2014). Fairtrade is well known in retail for labelling, and consumers pay higher prices so that an environmentally certified producer in a developing country can be paid a fair price (Moxham and Kauppi, 2014). The debate on using labels in products is ongoing, as labels for social aspects like child labour and working conditions are rarely used (van Bommel, 2010). Although these studies have revealed important findings, they may be limited because they argue for being consumer-focused only for labelling and certification of the ethically made products.

Another area in SSCM which is getting considerable attention for stakeholder engagement beyond the buyers-suppliers, is stakeholder dialogue and reporting, for example, dialogue between companies and NGOs (Burchell and Cook, 2008; van Huijstee and Glabergen, 2008). Stakeholder dialogue facilitates the access to supply chain evaluation information of the corporation through public disclosure practices (Golob and Podnar, 2014; Hess, 2007). Stakeholders can also engage in social auditing (Gao and Zhang, 2006). Engaged stakeholders can communicate their concerns, challenge the traditional business practices and become involved in decision making (Bowen et al., 2010; Spitzeck and Hansen, 2010). Stakeholder engagement is defined as “practices that organisations undertake to involve stakeholders” (Greenwood, 2007, p.318), therefore, a corporation’s strategies for stakeholder dialogue, reporting and communication have been the focus of studies (Herremans et al., 2016). Few studies consider stakeholder engagement for solving complex sustainability problems (Reed and Curzon, 2015). In environmental sustainability research, it has been claimed that stakeholders help corporations to identify issues in sustainability related matters, which may not otherwise be taken care of (Reed and Curzon, 2015; Reed, 2008). It has been assumed that stakeholder engagement has a positive impact on environmental reporting and environmental performance (Alrazi et al., 2015).

In SSCM research, earlier studies in the engagement of corporations with the NGOs have shown that firms willingly interact with the NGOs for poverty alleviation (Rodríguez et al. 2016b). In this paper, poverty alleviation is defined by these authors in the micro-economic terms of suppliers’ improved operational efficiency as well as reducing suppliers’ transaction risks and coordination costs (Rodríguez et al. 2016a,b). Therefore, in these studies poverty alleviation connection of the broader discourse of social development is missing. Another article advocates that, to achieve inter-organisational fit, both the corporation and NGOs have to align their values, missions, objectives, structure strategies and routines (Rodríguez et al., 2016a), therefore, the suppliers’ perspectives are not included. Although with regard to social sustainability research in the context of Bangladesh, Huq et al. (2014a)’s contribution is significant, it underestimates the role of NGOs. For example, their findings show “lesser roles are currently played by NGOs [...] most suppliers could not attribute any benefits to the work of the NGOs; one even commented that some NGOs are corrupt [...] in contrast] the buyers felt that NGOs play an important role in training and raising awareness” (Huq et al., 2014a, p.619). In a later study, Huq et al. (2016) focus on the supply chain and include international and local

NGOs to explore sustainability practices for reducing negative impacts and improving workers safety.

However, a recent piece of research points out the risk of involvement with NGOs, as corporations can either lose administrative control for sustainability management practices (as the MNCs do not meet the beneficiaries), or they (MNCs) can take the advantage to outsource the responsibility of executing the sustainability practices to the NGOs and other third parties (Husted et al., 2017). Moreover, by default corporations and NGOs have different organisational cultures, missions and perspectives on sustainability (Rodríguez et al., 2016a). Cross-sectoral partnership literature suggests that corporations and NGOs possess distinctive but complementary resources (McDonald and Young, 2012). These unique resources can be combined for social value creation (Murphy et al., 2015; Austin and Seitanidi, 2012). Additionally, the MNCs are involve in the provision of ‘collective goods’⁷ through providing the basic needs (e.g. healthcare, education, transportation, utilities, and other necessities for life) in the underdeveloped countries (Scherer et al. 2014; Boddewyn and Doh, 2011). Under the circumstances of ‘institutional voids’ (Khanna and Palepu, 1997) where the state is incapable of providing collective goods, MNCs are considering having cooperative relationships with local NGOs (Doh and Guay, 2004). The MNCs cooperation with the NGOs has received very little research attention (Boddewyn, 2017), although it is widely addressed in the literature of cross-sectoral partnership. Therefore, future SSCM research can bring new insights into cross-sectoral relationships for social sustainability.

As the stakeholder’s role varies across supply chains (upstream or downstream), different types of industries and countries, there is a need to identify stakeholders beyond the buyers-suppliers who participate in SSCM (Touboulic and Walker, 2015). In addition, a literature review by Walker et al. (2015) which is listed 403 papers across 35 journals in the field of operation, purchasing and supply chain management, ethical procurement and corporate social responsibility identifies the need to explore SSCM research beyond the buyer-supplier dyads and to include sustainability practices for communities along the supply chain. In addition to knowledge gaps in the involvement of multiple actors (e.g. NGO) beyond buyer-supplier dyads for sustainable supply chain management, we also do not know much about the effects of

⁷ *Collective goods* are defined as “those commodities, functions, and services that provide positive externalities such as health, education, communication, transportation, water, and electricity to local collectivises, and whose supply can be assured by public agencies and/or private for-profit and not-for-profit organisations” (Boddewyn and Doh, 2011, p. 347).

governance mechanisms on their suppliers (Winter and Lasch, 2016; Winter and Knemeyer, 2013) especially in the developing country context.

In this research, attention is paid to the “doers” or “professionals” who participate in the governance mechanisms as entities of multinational corporation to address social sustainability. The suppliers’ perspective is considered to facilitate an understanding of the consequences of implementing these governance mechanisms. In addition, the NGOs as non-business actors beyond buyer-supplier dyads are explored to study their involvement in social sustainability. This will result in a valuable contribution to the understanding of the supply chain governance for social sustainability.

2.2. Sustainable Supply Chain Governance

Governing towards a sustainability-oriented direction is known as sustainable supply chain governance (SSCG) (Vurro et al., 2009). SSCG is an increasingly important topic for the MNCs. As mentioned previously, a focal company is considered committed to sustainable supply chain management if its upstream supply chain partner – suppliers have sustainable performances (Klassen and Vereecke, 2012; Krause et al., 2009). SSCG links the traditional supply chain activities and governance mechanisms that regulate societal interactions, practices and processes to the aim of promoting sustainability (Filho et al., 2016; Foerstl et al, 2015). This section starts by explaining the meaning of sustainable supply chain governance. After that, governance structures in supply chain networks and governance mechanisms are defined. These two main governance mechanisms: control-based (section 2.2.1) and relational-based (section 2.2.2) are discussed with their identified challenges for sustainability performance.

In SSCG, the main actors are typically the multinational corporations in the developed countries, who specify the requirements for social sustainability for the suppliers and coordinate other key actors in the supply chain (Bush et al., 2015). A focal company’s sustainability governance is very different compared to traditional corporate governance within their own corporate boundary (Gimenez and Sierra, 2013). The sourcing professionals responsible play important roles in governance by being actively involved with their supply chain partners (Foerstl et al. 2010). In the sustainable supply chain governance literature review strategies are provided in the methodology chapter (section 4.3.1), and the review shows governance is receiving growing attention in the SSCM field.

The next two sub-sections, “sustainable supply chain governance structure” and “sustainable supply chain governance mechanisms” provide the reader with a first insight into understanding of the diverse structures and mechanisms of governance.

Sustainable Supply Chain Governance Structures

Sustainable supply chain governance is inherently multi-institutional. The SSCG structure has been predominantly studied from the following perspectives – supply chains management (SCM), global value chain (GVC), production network and network theory (Gimenez and Sierra, 2013). For instance, Vurro et al. (2009) propose a sustainability governance model focusing on the supply chain network density and show how the centrality of the focal organisation impacts sustainability governance. Bush et al. (2015) conceptualise sustainability governance by the business and non-business actors ‘through chains’, ‘of chains’ and ‘in chains’ in the value chain of global commodity and production networks. Additionally, SSCG structures have been studied from the perspective of network evaluation and dynamics of governance in the supply chain of the coffee industry and includes actors beyond buyers and farmers (Alvarez et al. 2010). The paper shows that governance of a supply chain should not be treated as fixed variable, but rather be adopted according to changes of network relationships between the supply chain actors. The paper also shows how evaluations of network relationships over time can evolve from formal to informal (ibid). Yet, much of the SSCG research has scarcely explored of determining the governance structure. Transaction-cost economics (TEC) is particularly relevant for analysing the MNCs choice of the alternative governance structure, why this is so, will be discussed in the following chapter (section 3.1).

Sustainable Supply Chain Governance Mechanisms

Sustainable supply chain governance mechanisms are defined as the practices, initiatives and processes used by the focal company to manage relationships with their supply chain members with the particular objectives of integrating sustainability in the supply chain for improving sustainability performance (Formentini and Taticchi, 2016, p.1921; Gimenez and Sierra, 2013, p.191). In the literature, two main distinct types of SSCG mechanisms have been identified. The control-based approach (also known as assessment-based) and the relational-based (also known as buyer-supplier collaboration-based) are the known approaches to governance mechanisms (Gimenez and Tachizawa, 2012).

On the one hand, the ‘buyer-to-supplier’ control-based governance mechanisms that appear in literature include codes of conduct, requirements of standards and certifications, auditing procedures and supplier assessment activities (Jiang, 2009a; Andersen and Skjoett-Larsen, 2009). On the other hand, ‘peer-to-peer’ relational-based governance mechanisms, which depend on mutual adaptation through idiosyncratic investments such as education, training or workshops on codes of conduct are also identified (Sancha et al., 2016a; Gimenez and Sierra, 2013; Klassen and Vachon, 2003).

2.2.1. Control-based Governance Mechanisms

Buyer-driven control-based governance mechanisms are those most widely studied within the SSCG literature (Andersen and Skjoett-Larsen, 2009; Jiang, 2009a; Egels-Zandén, 2007). The control-based mechanisms can be classified into descriptive and prescriptive approaches (Andersen et al., 2016). The descriptive approach includes setting codes of conduct for the suppliers, identifying different criteria of evaluation and establishing classification methods for ranking the suppliers from the purchaser or focal company’ perspectives (Kar and Pani, 2014). The prescriptive approach instead, studies multiple operational and strategic criteria to develop frameworks and methods for selecting and weighting suppliers against the standards (Chai et al. 2013). The promoters of both these (descriptive-prescriptive) approaches support a top-down relational view that contributes to sourcing strategies which are mainly practiced by the purchasing professionals and merchandisers (Andersen et al., 2016). The research in descriptive and prescriptive approaches mostly provides partial views, as the supplier perspectives are lacking (ibid). Also, in many cases, reflection on contingency or situational influence are not taken into consideration.

Control-based mechanisms are discussed below. These mechanisms often deal with establishing codes of conduct and assessment of suppliers to control non-regulatory standards for compliance with CoC. In addition, supplier selection, supplier assessment or evaluation, supplier monitoring or auditing, and buyers’ requirements for obtaining certifications or standards are explained. These are some of the dominant control-based mechanisms used to regulate supplier social sustainability performance and are crucial to the sustainable supply chain management of buying companies.

Compliance

Compliance is a form of buyers' private voluntary regulation mechanism to evaluate the suppliers' ability to perform according to established standards or guidelines – the buyer's code of conducts for suppliers (Locke et al., 2009). In a wide range of scholarly articles, there are significant references to compliance, in terms of problems or lack of supplier compliance (non-compliance), or improved compliance, or importance of compliance (Grimm et al., 2016; Islam and Muquim, 2015; Rahim and Wisuttisak, 2013; Barkemeyer, 2009). During the point of engagement with new suppliers and in consultation with the existing suppliers, performance for compliance can be evaluated through auditing and monitoring, based on the agreement between the buyers and suppliers (Yawar and Seuring, 2015). To what extent a supplier complies with the buyer's codes of conduct are assessed by the buyers, nominated by the buyers auditors, or by supplier proposed auditors, or by observers (researchers). Hence, the state of compliance is open to interpretation for the researchers (Fried and Singhal, 2017). However, the effectiveness of the compliance-based system is questioned by its critics (Locke, 2013), as compliance requires to achieve the minimum standards instead of the maximum objectives. Thus, there can be lack of commitment and transparency for compliance by the buying firms and their suppliers (Locke et al., 2009). Research also argues that the use of codes of conduct can help to enforce compliance (Egels-Zandén, 2014), because in codes of conduct, the standards that have to be followed by the suppliers are stated in clear terms.

Codes of Conduct (CoC)

Due to stakeholder pressures, multinational corporations and business associations issue codes of conducts as a means of voluntary control-based mechanism to regulate their suppliers' sustainability performance (Perez-Batres et al., 2012). These voluntary codes are defined as a “formal written policy document of the corporations that shows their responsibilities towards its stakeholders” (Kaptein, 2004, p.16). The codes of conduct are also known as codes of ethics, ethics statements or guidelines for the suppliers (Svensson, 2009). There are a number of definitions of CoC. It is characterised as “voluntary expressions of commitments made by an organisation to influence or control behaviour for the benefit of the organisation itself and for the communities in which it operates” (Gordon and Miyake, 1999, p. 3).

Codes of conduct incorporate requirements and guidelines for working hours, minimum wages, working conditions, health care, child labour and many more (Jiang, 2009a; Egels-Zandén,

2007). In literature, some researchers consider codes of conduct as ‘soft law’ instruments or guidelines and norms for the regulation of human rights issues (Bellace, 2014; Rotter et al., 2014). Corporations themselves take a regulatory role towards their suppliers by increasingly relying on voluntary self-regulation system using ‘soft law’ (Schrempf-Stirling, 2012; Schrempf-Stirling and Palazzo, 2013; Bartley, 2011). ‘Soft law’ derives its legitimacy, governance and implementation from outside public authority and is not legally binding (Perez-Batres et al., 2012). On the contrary, the ‘hard law’ governed by the state, refers to precisely made legally binding obligations and implementations (Bellace, 2014). Critics (Banerjee, 2007; Reich, 2007) demonstrate that ‘soft law’ and ‘self-regulation’ may distract attention away from regulations and can provide a platform for self-interested activities by the corporations, while other authors (Scherer and Palazzo, 2007) find self-regulation to be an effective and legitimate means by which companies can control their suppliers’ sustainability performance.

Researchers addressing codes of conduct can be divided into three groups: (i) Critics who claim CoC is a soft law used not to improve working conditions or to protect labour rights, but for ‘dressing up for diffusion’ to avoid legal liabilities and to prevent damaged reputation of the corporations (Scheiber, 2013; Hoang and Jones, 2012; Wright and Rwabizambuga, 2006;). (ii) Supporters of CoC who find voluntary self-regulation through CoC to be more useful than government regulation (Campbell, 2006; Schwartz, 2001; Raiborn and Payne, 1990). (iii) Groups who are more pragmatic and who claim that CoC cannot replace the country’s laws, but the strong enforcement of regulation rather has a positive relationship with CoC (Locke et al., 2009); such research also addresses both the prospects and limitations of CoC (Locke, 2013; Vogel, 2010; Bartley, 2007).

Various types of CoC exist for various types of organisations, sectors, cross-sectors, corporations or industries (e.g. the Ethical Trading Initiative, Fair Labour Association, Fair Trade, to name a few) (Boas et al., 2016; Bellace, 2014). More importantly, the content of CoC varies based on the choices of the organisations or priorities of a certain circumstance (Egels-Zandén and Lindholm, 2015; Preuss and Brown, 2012; Preuss, 2009). Despite the increase in the number of companies who are issuing CoC, implementation through effective monitoring for of CoC is practiced by only a few, due to the cost and complexity of implementation (Andersen and Skjoett-Larsen, 2009; Ruwanpura and Wrigley, 2011). Moreover, there is no available template for CoC implementation and very few corporations disclose details of their

processes and mechanisms for implementing CoC along the supply chain (Preuss and Brown, 2012).

Little research sheds light on the suppliers' perspective to know what it is like to be at the receiving end of CoC (Normann et al., 2016; Egels-Zandén and Lindholm, 2015; Locke, 2013; Jiang, 2009a). One of the major barriers of implementing CoC is that suppliers require to adjust to different CoC of their buyers, as individual buyers have specific codes of conduct. This introduces inconsistency in the implementation of a particular standard (Huq et al., 2014a). There are also other challenges. For example, CoC is not drafted considering the needs and requirements of the suppliers. Also, CoC is formulated by the western buyers that are supposed to be followed by suppliers in developing countries. Therefore, cultural differences create difficulties for the 'top down' implementation approach of CoC (Huq et al. 2014a; Awaysheh and Klassen, 2010). Other reasons for supplier's non-compliance are that, buyers put increased demand on the suppliers to improve working conditions while they do not support the suppliers by increasing the price of the products and providing them with the necessary training for improvement (Normann et al., 2016).

Researchers also refer to different ways in which organisations may increase supplier compliance through CoC. For example, one way would be putting pressure on suppliers by taking cohesive measures like contract termination of non-compliant suppliers (Jiang, 2009b). Another way would be working internally with the suppliers to integrate the CoC implementation strategies into the company's overall strategies (Egels-Zandén, 2014). A third way would be that forming a long-term relationship and having regular dialogues with the suppliers and helping the capability-building process of the suppliers to foster successful adaptation of CoC rather than indulging in excessive auditing and enforcement (Locke, 2013; Locke et al., 2009).

Supplier Selection

The implementation of codes by the multinational corporations is challenging as the MNCs deal with an increasingly complex network of hundreds of suppliers. The implementation of CoC starts with selecting the suppliers (Quarshie et al., 2016). The criteria for the selection of new suppliers and the evaluation of current suppliers are very much based on the codes of conduct (Thornton et al., 2013). Suppliers' capability to act in socially responsible ways and

suppliers' performance in social issues are the two key factors of supplier selection (Klassen and Vereecke, 2012). A study in the Nigerian service and manufacturing industry found that the buying firms have diverse supplier selection systems across the supply chain (Adebanjo et al., 2013). In some cases, the purchasing professionals and merchandisers of the buying firms' take decisions for sustainable sourcing (Andersen et al., 2016). In other cases, a small number of senior managers at their subsidiary in the country of production take the decisions for supplier selection (Adebanjo et al., 2013). As a result, the supplier selection processes have limited transparency and objectivity. Despite the importance of supplier selection as an essential step in sustainable supply chain practices, with few exceptions, it has not been sufficiently explored in the contexts of developing countries (Akamp and Müller, 2013). Supplier selection is an important area to explore, as selecting the desired suppliers who respect human rights, who practice ethical business and who prioritise safety condition, requires the assessment of a new supplier or evaluation of the existing suppliers (Walker and Jones, 2012).

Supplier Assessment or Evaluation

Buying firms perform supplier assessment or evaluation to select the suppliers that are acting ethically and to determine the credibility of the suppliers who claim to engage in responsible business (Jiang, 2009a; Carter and Rogers, 2008). Recent studies do not distinguish between supplier assessment and evaluation (Sancha et al., 2016b; Gavronski et al., 2011). Previous authors distinguish between these interface arenas (Holt, 2004). Supplier assessment is conceptualised as the pre-selection of suppliers. Supplier evaluation includes monitoring social issues of the existing supplier that can help identify the sustainability performance of the supplier (Parmigiani et al., 2011). One study by Winter and Lasch (2016) investigates the importance of both environmental and social criteria in supplier evaluation in the supply chain context of six fashion and apparel brands. The authors claim that environmental and social criteria often apply to the assessing of the pre-qualification process of the new supplier, but do not apply as much to the evaluation of the existing suppliers. Moreover, they conclude that, in practice, sustainability criteria do not carry as much importance as is recommended by SSCM researchers (ibid). However, supplier evaluation is common practice, as it is believed to reduce opportunistic behaviour among the suppliers due to the coercive pressure on them by the buyers through continuous monitoring (Sancha et al., 2016b; Wathne and Heide, 2000). Reduction of opportunistic behaviour implies not having excessive working hours, not using child labour, not withholding wages, and so on. It is also claimed that supplier assessment or evaluation

practices improve the social sustainability performance of the suppliers (Akamp and Müller, 2013). Supplier evaluation is executed by the buying firms, through the monitoring or auditing of the suppliers to investigate sustainability performance in the supply chain (Carter and Rogers, 2008).

Supplier Monitoring or Auditing

The main reason for monitoring or auditing is to verify whether or not the suppliers reach the required compliance status based on codes of conduct (Jiang, 2009a; Svensson, 2009). Monitoring is defined as “the activities in arm’s-length transactions conducted by the buying firms in order to evaluate and control its suppliers” (Vachon and Klassen, 2006, p. 798). Based on this definition, monitoring is the act of controlling the suppliers’ behaviour to achieve the expected level of sustainable performance of buying firms. Alternatively, auditing verifies the degree of compliance, which is a step towards implementing codes of conduct and evaluating supplier’s performance in social issues (Yawar and Seuring, 2015). Thus, auditing is a well-known form of monitoring mechanisms for suppliers, among other forms of monitoring, e.g., periodic onsite inspections (Carter and Rogers, 2008). Monitoring is a broader concept, as it not only includes the verification of certain aspects of the suppliers’ performance by the buying firms through auditing, but also includes gathering and processing information, formulating assessment criteria and evaluating the level of certainty that is acceptable to the external stakeholder groups, such as non-government organisation, consumer associations and other authorities (Klassen and Vereecke, 2012).

The review articles identify three kinds of audits: the ‘first-party’ audit that is carried out by buying firms; the ‘second-party’ audit carried out by the accredited organisational monitoring; and the ‘third-party’ audit carried out by independent external monitors. The first-party audit or internal audit is conducted by the buying firms themselves through the responsible sourcing team to inspect their suppliers’ performance against the buying company’s codes of conduct and country-specific legal requirements (Welford and Frost, 2006). External stakeholders (e.g. non-government organisations and trade unions) have criticised buying firms for either not imposing monitoring systems at all, or for exclusively relying on internal monitoring, instead of involving external parties (Lund-Thomsen and Lindgreen, 2014). First-party auditing certainly has a potential advantage, but the system of external monitoring gives higher credibility to supplier evaluation than internal monitoring (O’Rourke, 2006). External

monitoring provides the opportunity for public reporting of the audit results. In other words, it gives the consumers a chance to review supplier performance in social issues (Handfield et al., 2005; Graafland, 2002).

To complement their internal monitoring, buying firms often seek ‘second-party’ accredited organisational monitoring, which is a form of external monitoring (Winter and Lasch, 2016). External stakeholders, e.g. customers, perceive the second-party audit as being more reliable and credible (Boyd et al., 2007). Critics have also questioned these types of external audit systems, as sometimes the buying firms can be a member of these ‘second-party’ organisations (e.g. the supplier ethical data exchange, SEDEX) (Lund-Thomsen and Lindgreen, 2014). In this case, it can presumably be a conflict of interest to remain neutral when executing auditing in the suppliers’ premises (Locke et al., 2009). Moreover, the auditors in ‘second-party’ organisations have relevant experience in accounting or quality control, but lack a deep knowledge of local contextual situations. Third-party auditing is the most common form of independent external monitoring. This type of audit is carried out by specialised auditors or independent auditing firms who send their auditors on behalf of the buyers. However, there is evidence of deceit and corruption among the ‘third-party’ auditors (Huq et al., 2014a; Egels-Zandén, 2014).

Audit protocols are incredibly diversified in terms of: the issues to be assessed, the time frame of the assessment, whether or not notification should be given before the assessment, whether or not interviews should include the workers, whether or not reporting should be publicly disclosed, and also, the methods of reporting of the audit results (Lund-Thomsen and Lindgreen, 2014; Ruwanpura and Wrigley, 2011; Locke et al., 2009). Some researchers claim that auditing is a reactive mechanism as it is driven by the objective to reduce the risk of negative social impacts in the supply chain (Jiang, 2009a; Seuring and Müller, 2008), as opposed to a proactive mechanism, that can provide remedies for social problems to prevent them from occurring in future (Svensson, 2009). On one hand, auditing is necessary for buying firms, as it leads to the spread of their reputation (Handfield et al., 2005; Pagell and Wu, 2009). On the other hand, based on the audit results, suppliers get either the opportunity to improve their conditions, or if they do not improve critical issues, their contract with buying firms can be terminated (Winter and Lasch, 2016).

The reviewed literature reveals massive challenges for verifying social sustainability aspects on the buying firm's side, but rarely discusses compliance or non-compliance issues from the supplier's side. Despite being mandatory, there is evidence of misconducts and dishonest practices by the suppliers while undergoing audits (Jiang, 2009a). For instance, sometimes suppliers actively mislead or bribe third-party auditors (Huq et al., 2016), or keep more than one set of books (Huq et al., 2014a; Welford and Frost, 2006). One potential explanation for supplier deception is that the suppliers are reluctant to carry the financial and administrative burden of the third-party auditing (Sinkovics et al., 2016). In some cases, there is a lack of understanding of root causes of certain problems (Wettstein, 2012; Locke et al., 2007). Some other authors claim that the auditing system is not effective because the buying firms demand improvements within unrealistic time frames (Ruwanpura and Wrigley, 2011). Boyd et al. (2007) state that "monitoring implicitly conveys a posture more akin to that of a supply chain 'bully' rather than a CSR 'champion'" (p.342), meaning that coercive mechanisms through monitoring can actually negatively affect supplier compliance. Despite all of these challenges of auditing, it became a mandatory practice in many multinational companies to monitor and verify that their suppliers' performance on social issues fulfills the expectations of the buying firms and external stakeholders (Winter and Lasch, 2016).

Acquiring Certificates and Standards

During the past decades, there has been a spread of governance mechanisms which have given rise to new regulatory agencies, such as the national standardization bodies, international organisations for standardization and various certification-bodies (Gey and Fried, 2018). In addition, with the explosion of privatisation 'code-regulatory regimes' have become a popular means of regulation (Seidl, 2007). These code-issuing bodies are composed of practitioners from companies, investors, shareholder representatives and so on (Seidl, 2007). Many multinational corporations define their codes of conduct from international standards for best practices, such as UN Global Compact (UNGC), Ethical Trading Initiative (ETI), Business Social Compliance Initiative (BSCI), Better Work (Sinkovics et al., 2016; Preuss and Brown, 2012; Ciliberti, 2011; Ciliberti et al., 2009; 2008; Mena et al., 2010; Müller et al., 2009; Pagell and Wu, 2009; Kortelainen, 2008).

These code-regimes or standardization bodies often set and design the process of following and implementing the 'principle form of rules' (Gey and Fried, 2018). When the rules are

purposefully set and written down for formalised and generalised adaptation (Gey and Fried, 2018), the ‘principle form of rules’ or ‘codified interpretation of rules’ are known as ‘standards’ (Giddens, 1984, p. 21). These types of standards are known as ‘soft law’ because of their particular characteristics. These include: not being formally-binding, voluntary-natured, have non-legitimacy as the codes have not been democratically ratified, have flexibility in implementation, and are aligned with soft-regulation based on a ‘comply-or-explain rule’⁸ (Bellace, 2014; Rotter et al., 2014; Seidl, 2007).

Some standards are industry related certification schemes. For example, ISO 9001 is used for quality management, and ISO 14001 is the certificate for environmental management systems used to control the industrial processing of fibre and yarn. These certificates are demanded by the buying companies for supplier selection. However, they do not guarantee the ‘eco-friendliness’ or ‘sustainability’ of the suppliers (Nawrocka et al., 2009). ISO 14001 certification, concerning environmental aspects, is a well-known and widespread example, whereas Social Accountability International (SA8000) auditing practices concerning social aspects, are a lesser known certification body (Stigzelius and Mark-Herbert, 2009; Hutchins and Sutherland, 2008). The SA8000 standard is auditable by a third-party, and the suppliers receive a certification if they comply with the standards (Stigzelius and Mark-Herbert, 2009). Ciliberti et al. (2009) claim that the high requirements of SA8000 standards are very difficult to meet and because of the high certification costs, these standards are rarely adhered. Therefore, certification does not guarantee strong performance, it only shows that the certified company endorses a management system for seeking improvement (Nawrocka et al., 2009).

Different buyers select their suppliers on the criteria of the Business Social Compliance Initiative (BSCI), the Supplier Ethical Data Exchange (SEDEX), or Worldwide Responsible Accredited Production (WRAP) (van Bommel, 2010). These initiatives are not certification schemes and are not specific to the textile or clothing industry (Awaysheh and Klassen, 2011). In practice, these initiatives are undertaken by textile and apparel corporations and are considered to be more ‘open schemes’, because the member companies promise to improve the social aspects of the sustainable supply chain management and to maintain transparency of their activities (van Bommel, 2010). For example, European brands and retailers ask the suppliers to

⁸ Comply-or-explain rule implies the state whether the actors are complying with the code and they have to give reasons for non-compliance with any areas of the code (Cadbury Committee, 1992, 1.3). Cadbury Committee [Committee on the Aspects of Corporate Governance] (1992) *The Financial Aspects of Corporate Governance*. London: Burgess Science Press.

have the BSCI, British buyers require the suppliers to have the SEDEX and buying companies from the US ask for WRAP (Hoejmose and Adrien-Kirby, 2012). The suppliers often accommodate these standards in their production units because of the pressure from the buying company. Some of the standards (e.g. SEDEX; WRAP) require audit procedures to monitor if they are being followed by the geographically distant suppliers in the supply chain (Awaysheh and Klassen, 2010).

On the one hand, critics argue that standards and certificates are often used by corporations for ‘ethical-window-dressing’ (Fransen and Kolk, 2007), as they can be used for ‘box-ticking activity’ (Baden et al., 2009). They are not used for actual sustainability practices, but rather to protect the buying company’s reputational risks for suppliers’ unethical actions (Hoejmose et al., 2014). On the other hand, it is argued that certificates and standards are more beneficial than buyer-led monitoring (Rasche, 2012), as these initiatives create spaces for dialogue, negotiation and debate, and thus the consequences of these initiatives are wide-ranging, from standard-setting, social and environmental reporting to monitoring mechanisms (Scherer and Palazzo 2011).

In summary, compliance, codes of conduct, supplier selection, supplier assessment or evaluation, supplier monitoring or auditing, acquiring certificates and standards may have unexpected impacts on the suppliers. At the same time, these control-based governance mechanisms are context dependent and in a way that influence the sustainability performance of the suppliers. Generally, the role of suppliers in these control-based mechanisms has not gained much attention. Hence, the literature in this field can be taken one step further by investigating how well control-based mechanisms work in practice, as well as exploring other types of governance mechanisms. In the following section, the relational-based governance mechanism is discussed.

2.2.2. Relational-based Governance Mechanisms

Relational-based governance mechanisms are based on agreed values and processes of social relationships between the supply chain actors (Klassen and Vachon, 2003). Relational-based governance mechanisms involve mutual adaptation, idiosyncratic investment and knowledge sharing for sustainable supply chain management (Sancha et al., 2016a; Gimenez and Sierra, 2013; Vachon and Klassen, 2008). An example of this kind of mechanism for the buying firm

is to provide training and education to the supplier. This peer-to-peer governance does not rely on threatening suppliers to comply with mandatory requirements, but on mutual adaptation in which idiosyncratic investments through training, workshops, incentives, have to be made (Jiang, 2009b). Buying firms which do not only focus on a ‘compliance oriented’ system of supplier evaluation (through auditing), instead develop relationships with their suppliers often through development programmes, and are considered to be ‘commitment oriented’ firms (Locke et al., 2009). Researchers claim that buyer-supplier relational-based governance is a more effective form of governance mechanism, compared to buyer-driven control-based forms for supplier assessment (Gimenez and Sierra, 2013). Because a buyer-supplier relationship is non-cohesive and can replace the traditional control-based supplier assessment of monitoring and auditing, it creates mutual trust, transparency, and commitment (Klassen and Vachon, 2003). This governance mechanism can include supplier development, and supplier involvement or buyer-supplier collaboration (Klassen and Vachon, 2003).

Supplier Development

In recent literature, supplier development means “actions taken up by firms to upgrade, help and train suppliers directly and indirectly to fulfil the demands of stakeholders” (Yawar and Seuring, 2015, p. 626). In the above definition, the authors bring in a border perspective of sustainable practices by considering the supplier development rather than only sanctioning the suppliers for poor performance. Further the authors state that direct and indirect supplier development actions can help improve performance in social issues and minimise related risks (Yawar and Seuring, 2015; Seuring and Müller, 2008). The literature suggests that direct methods for supplier development involve education and training, giving feedback on evaluation, capital investment, technical and financial assistance, while indirect methods of supplier development involve collaboration with suppliers (Sancha et al., 2015; Lu et al., 2012; Humphreys et al., 2004). In addition, supplier development is claimed to be enhanced by routine, information sharing, transferring knowledge and know-how between buyer and supplier, as these actions lead to the sharing of data and reporting on social aspects through the supply chain (Erkul et al., 2015; Modi and Mabert, 2007, Mamic, 2005). When directly provided by the buying firms, the provision of supplier development can help suppliers to improve their performance in social issues (Sancha et al., 2016a) as well as can enhance buyers sustainability performance (Akamp and Müller, 2013).

Researchers who studied the textile and clothing industry in developing countries give evidence that some buying firms actively provide periodic training and education for their suppliers (Huq et al., 2016; 2014a). Moreover, taking the cultural context into account while providing training is considered to be the most efficient way to bring sustainable practices forward (Huq et al. 2014a). However, some researchers also claim that buying firms do not offer any assistance or training to their suppliers to improve social issues (Normann et al., 2016; Ruwanpura and Wrigley, 2011). More studies are needed to find out whether social responsibility is integrated into the supply chain through supplier development (Erkul et al., 2015; Yawar and Seuring, 2015). The practices of supplier development, for example, what is trained, how it is trained, and the consequence of providing training to the suppliers, are mostly unknown.

Supplier Involvement

Supplier involvement means buyers' collaboration with their suppliers, instead of an arm's-length transaction (Sancha et al., 2016a; Klassen and Vereecke, 2012). Buyer-supplier involvement is mainly visible in green supply chain management studies. Moreover, they point out that buyers involve with suppliers in process modification, product adaptation and cooperation in logistics (Klassen and Vereecke, 2012). In addition, buyers 'collaboration' with suppliers defined as "activities comprising a direct involvement of the buying firms with its suppliers to jointly develop environmental (or social) solutions" (Vachon and Klassen, 2006, p. 798). Buyer-supplier vertical collaboration to improve sustainability is a valuable asset that can lead to a sustainable supply chain (Pagell et al., 2010). Relational governance through buyer-supplier collaborative activities has mostly been studied for environmental performance mechanisms, rather than social performance factors (Gimenez and Sierra, 2013).

To summarise this section, we can say that there is limited knowledge in supplier development and supplier involvement in social sustainability governance. Thus, it is necessary to explore this area. Moreover, sustainable supply chain governance requires not only focal companies' involvement with the suppliers, but it also requires collaboration among multiple organisations on a horizontal level and the participation of the actors to solve locally specific problems (Rasche, 2012). In the global supply chain, the boundary of governance extends beyond the reach of the focal companies' direct control (Gimenez and Sierra, 2013) and needs shared responsibility among business firms, governments, intergovernmental organisations, and the non-governmental organisations (Quarshie et al., 2016). The following section describes another governance mechanism which is formed upon collaborative initiatives.

2.3. Multi-stakeholder Initiatives

‘Multi’ refers to three or more stakeholder groups, where ‘stakeholder’ is “any group or organisation who can affect or is affected by the approach to the issue addressed” (Freeman, 1984; Roloff, 2008, p. 238). The term ‘multi-stakeholder’ allows us to define many different setups and practices involving multiple stakeholders (Fransen and Kolk, 2007). There is no clear-cut definition of the term ‘multi-stakeholder’. In management literature, multi-stakeholder collaboration is generally perceived as market related relationships, such as joint ventures, vertical integration, collaborative leadership, and short-term or long-term strategic alliances with little relevance to corporate social responsibility (CSR) and sustainability (Murray et al., 2010; Vurro et al., 2009). Many of these collaborations build on a ‘stakeholder approach’ (Freeman, 1984), where the corporations take the lead in addressing and assessing the interests of the stakeholder by balancing their profit interests (Murray et al., 2010). Unlike this traditional mode of stakeholder management, corporate social responsibility (CSR) literature indicates a new form of multi-stakeholder engagement that is based on a sustained form of interaction between corporate and non-corporate stakeholders (Moog et al., 2015). This is the point of discussion of this section.

The term multi-stakeholder initiatives (MSI) has been used in recent CSR literature to refer to multi-stakeholder forums or associations which are multi-sectoral rather than business-dominated. These include corporations, NGOs, civil society, trade unions, and other actors to contribute to the global regulation for providing common public goods and ensuring transparency (Scherer et al., 2016; Rasche 2012; Mena and Palazzo 2012; Fransen and Kolk, 2007). Despite very few conceptual differences, authors use different terminology for multi-actor forms of regulation, including, multi-stakeholder initiatives (Rasche, 2012; Mena and Palazzo, 2012), multi-stakeholder collaboration (Airike et al., 2016), multi-stakeholder partnerships (Bäckstrand, 2006), multi-stakeholder networks (Roloff, 2008) multi-stakeholder platforms (Warner, 2007), multi-stakeholder governance (Schouten et al. 2012), and multi-stakeholder regulation (Haufler, 2003). It is sometimes also referred to as cross-sector partnership or inter-organisational collaborations (Moog et al., 2015). For this thesis, the most commonly used term - ‘multi-stakeholder initiative’ is used.

While some scholars regard multi-stakeholder initiatives as a “collective form of governance for CSR issues voluntarily involving an array of stakeholders” who combine their capacities

and resources (Rasche, 2012, p.682), some authors also claim that multi-stakeholder initiatives are *structures*, formally organised through multiple stakeholders from public, private sectors, and civil society representatives, to respond to the challenges of solving complex sustainability problems (Mena and Palazzo, 2012). Other authors consider multi-stakeholder initiatives as dialogue *platforms* where representatives from the different stakeholder groups mentioned above for democratic participation join together in formatting, monitoring and implementing standards (Scherer et al., 2016).

Baur and Arenas (2014) argue that multi-stakeholder initiatives perform different forms of regulatory activities, then corporate-led ‘self-regulatory’ practices on their suppliers. As MSI involves multiple actors and stakeholders, those engaged in multi-stakeholder initiatives require voluntary participation and deliberate communication for decision making (Scherer and Palazzo, 2011). This multi-stakeholder engagement includes one or a variety of activities, such as setting standards, establishing process a of implementation of the standards by monitoring and reporting, and implementing enforcement by third-party verification and certification (Moog et al., 2015; Scherer and Palazzo, 2011). It is claimed that multi-stakeholder initiative fosters public legitimacy as it is perceived to be accepted by a broader range of stakeholders (Mena and Palazzo, 2012). It is also argued that multi-stakeholder initiative is beneficial under conditions where state governance is weak (Rasche, 2012).

The institutionalisation of a multi-stakeholder initiative is differentiated by the participation of ‘government’ or ‘without government’ (Mena and Palazzo, 2012). A distinct type of multi-actor involvement which takes place without the participation of the government but which involves the public-private sectors of civil society representatives is sometimes referred to as a cross-sector ‘*collaboration-based governance*’ mechanism (Airike et al., 2016). In this case, ‘collaboration’ indicates a willingness to participate to address common problem, deliberation based collective decision making and pooling resources for problem solving (ibid). A multi-stakeholder collaborative governance mechanism is the opposite to traditional command-and-control regulations, as it requires activities such as dialogue for designing and monitoring standards in contemporary social issues (Scherer and Palazzo, 2011).

In 2002, at the World Summit for Sustainable Development (WSSD), multi-stakeholder partnership was promoted for the undertaking sustainable development. In accordance with the UN’s Sustainable Development Goals 2016, more than 2100 multi-stakeholder initiatives have been registered with the United Nations until 2015 (SDG, 2016). There is growing evidence of

MNCs involvement in multi-stakeholder initiatives, such as the Ethical Trade Initiative (ETI), the Global Reporting Initiative (GRI), the Fair Labour Association (FLA), and many more. Scholars also distinguish multi-stakeholder initiatives from ‘business-led’ initiatives that are only business dominated and only focus on corporate directed efforts (e.g. Starbucks’ Coffee and Farmer Equity, Sustainable Agriculture Network) (Moog et al., 2015), and are therefore limited in stakeholder involvement and lack public legitimacy.

To assess the legitimacy of multi-stakeholder initiatives, Müller et al. (2009) use five distinct legitimacy criteria: inclusivity, discourse, control, transparency and integration of participants along the supply chain. All these criteria are comparable to the works of Mena and Palazzo’s (2012) seven criteria for evaluating the roles of MSIs to measure their legitimacy for regulation (see Table 2.3): stakeholder inclusion, procedural orientation, consensual fairness, transparency of processes, which relate to ‘*input legitimacy*’; and coverage, efficacy, and enforcement and monitoring, which relate to ‘*output legitimacy*’ (p. 536-537). Input legitimacy is referred to credibility or to the extent which regulations are justified, and output legitimacy is effectiveness or the extent to which regulations solve the targeted issues.

Table 2.2 Criteria of multi-stakeholder initiative legitimacy (adapted from Mena and Palazzo, 2012, p.537 and Müller et al. 2009, p. 512)

Criterion	Definition
Inclusion/ inclusivity	Wide integration of different stakeholders who are affected by the issue
Discourse/ procedural orientation	Discursive and deliberative participation of the stakeholder by neutralizing power differences in decision making of standards development and implementation
Consensual fairness	Culture of cooperation and reasonable disagreement
Coverage/supply chain integration	Number of rule-targets per industry following the rules
Enforcement/control	Practical implementation of the rules/standards and their verification procedures by monitoring, or external organisational certification, or sanctions for non-compliance
Efficacy	Fit of the standards to the issue, if standards are formulated by independent experts and the if the standards influence to improve the targeted problem area
Transparency	Transparency of standards, processes and results through public disclosure

Müller et al. (2009) investigate whether standardization-bodies, such as ISO 14001, Social Accountability International (SA8000), and multi-stakeholder initiatives, e.g. The Fair Labour Association (FLA), Forest Stewardship Council (FSC) can increase customer confidence. Mena and Palazzo (2012) apply these criteria to two multi-stakeholder governance initiatives, the

Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI). However, both of these studies focus on the multi-stakeholder initiative itself, and therefore the impacts of multi-stakeholder initiatives on the part of suppliers are still unknown. Additionally, there is insufficient understanding of the collaboration process for creating a multi-stakeholder initiative, even though there is growing evidence of MNC's involvement in these initiatives.

Mena and Palazzo (2012) also classify four different types of monitoring practices by the multi-stakeholder initiatives (p.543): (i) corporations that endorse a multi-stakeholder initiative's standard to control their own supplier compliance; (ii) the multi-stakeholder initiative itself or one of its parties who undertakes monitoring; (iii) an external (accredited or not) audit company is paid for performing monitoring; and (iv) monitoring is done independently by civil society and government organisations. However, the multi-stakeholder initiatives often develop highly sophisticated and expensive monitoring procedures that involve multiple monitoring and can create monitoring fatigue due to overcontrolling (ibid).

While the need for collaboration among organisations is increasingly recognised, there is still little research on multi-stakeholder collaborative governance initiatives. Most of the current research on MSI are normative and rely on conception of legitimacy which understates corporate participation or misconduct (Frynas and Stephens, 2015). One notable exception is a study that has been conducted in the electronics industry to understand the motives and challenges corporations face for participating in multi-stakeholder initiatives by Airike et al., (2016) who has found that the challenges of collaborative multi-stakeholder governance include conflicting motives among the stakeholders and limited resources of the corporations in terms of priority setting and time allocation. Airike et al. (2016) state that the motive of collaborations is mainly concerned with solving supply chain problems which cannot be solved alone by individual buyers and it needs industry wide initiatives. However, each of these multi-stakeholder initiatives is quite different in terms of purpose, activities, target audience and issues. How to share responsibilities among MSI stakeholders and how stakeholders might influence the process remains underexplored (Scherer and Palazzo, 2016). Moreover, little research has been done that focuses on the supply chain perspective to identify the consequences of the multi-stakeholder initiatives which have been locally formed by global actors to address specific social sustainability issues (Moog et al., 2015; Rasche, 2012). Therefore, there is a need for more studies about multi-stakeholder initiatives which can offer

potential valuable insights into supply chain governance (Quarshie et al., 2016; Yawar and Seuring, 2015).

Managing and governing the supply chain, might be expected to be as straightforward as it seems in the theory. However, in practice, it may be much more complicated than expected. Therefore, the mechanisms that exist to manage the suppliers and how to govern a complex supply chain remain to be studied, as there are a number of contextual barriers for sustainability that occur in the supply chain.

2.4. Chapter Summary

While social sustainability is a necessary dimension of sustainable supply chain management and the importance of social sustainability performance has been strongly emphasised, the underlying governance mechanisms undertaken by integrating different actors, such as buyers-suppliers and beyond, are still poorly understood. In a literature review, Yawar and Seuring (2015) show that during the last decade, numerous studies have suggested that buyers need to involve their suppliers in order to solve those social issues, such as child labour at the suppliers, poor working conditions, low wages and long working hours, that affect social sustainability performance. In addition, studies have also indicated that the social sustainability performance of buyers is linked to their suppliers (Huq et al., 2016; Klassen and Vereecke, 2012; Krause et al., 2009).

Furthermore, purchasing or responsible sourcing professionals and merchandisers perform their work to solve different sustainability challenges. While doing so, these professionals might elaborate new practices and activities to re-establish the management of sustainable supply chain (Andersen et al., 2016; Foerstl et al. 2010). This may also mean that governance mechanisms for sustainable supply chain may change as a response to problematic situations. Taking such a perspective, a set of governance “mechanisms” which entail compliance, codes of conduct, supplier assessment or evaluation, supplier monitoring or auditing as well as supplier development are identified in previous literature. These governance mechanisms are aimed at facilitating and accomplishing sustainability within the supply chain. However, these mechanisms are mostly associated with the application and involvement of buyer-supplier dyads, rather than the engagement of actors beyond buyer-supplier, such as non-government organisations. In a literature review, Walker et al. (2015) suggest that it is time that researchers

explore sustainable supply chain management beyond the buyer-supplier dyads and include non-business actors.

Moreover, the current supply chain governance research, referred to in this chapter, offers valuable insights into governance mechanisms that use standardisation and certification bodies (Preuss and Brown, 2012; Ciliberti 2011; Ciliberti et al., 2009; 2008). However, there is less attention paid to understanding how standards and certification schemes are recognised by suppliers in the distance global supply chain. In addition, most of the standardisation and certification bodies (e.g. ISO 14001, SA8000, SEDEX) are there for global solutions, so questions can be asked as whether they can be suitable for solving social issues that arise from complex conditions in the local operation on the suppliers' base. Likewise, Scherer et al. (2016) have argued that activities from standard-setting, reporting, monitoring, vary dramatically based on the organisation and operational context. As a consequence, one might say that governance mechanisms of standard setting bodies and certification issuing bodies may not be suitable for all kinds of suppliers throughout the whole supply chain. Indeed, there can be a need for adopting alternative governance mechanisms to address unexpected challenging situations for social sustainability.

In the same vain, Mena and Palazzo (2012) suggest multi-stakeholder forums of governance mechanism - multi-stakeholder initiative, which is not business-dominated. This collaborative multi-stakeholder governance requires the involvement of corporations, NGOs, civil society, trade unions, and other actors. Therefore, it is opposite to traditional command-and-control systems (Scherer and Palazzo 2011). Commentators have called for more insights into the impact of multi-stakeholder initiatives on supply chain governance for social sustainability (Quarshie et al., 2016; Yawar and Seuring, 2015).

The present study complements previous research by continuing as exploration of governance mechanisms to understand how buyer-supplier and other actors, such as non-government organisations, manage socially sustainable supply chains. The present study attempts to capture social sustainability governance mechanisms through focusing on practitioners of the multinational corporations as they participate in sustainability activities to address social issues in a global supply chain. This study also pays attention to the suppliers, to investigate how the governance mechanisms are influencing their social sustainability performance.

To end this chapter, a conceptual point of departure from which the governance mechanisms of social sustainability in the complex upstream supply chain can be studied is outlined. Two general views on the sustainability supply chain governance mechanisms are presented from the literature review: buyer-driven control-based and buyer-supplier relational-based governance mechanisms. This thesis argues that besides buyer-suppliers, stakeholders should also be engaged in sustainability governance mechanisms. Following this standpoint, governance mechanisms can also be implemented through multi-stakeholder initiatives. This multi-stakeholder mechanism allows different corporate and non-corporate actors to come together in novel ways. This thesis explores multi-stakeholder governance mechanism to understand what collaborative activities and processes are required to address unpredictable social sustainability problems in the supplier country of operation. In addition, this chapter also argues that the cross-sectoral involvement of the NGOs and corporations need to be explored from the perspective of supply chain governance. This can help identify different observable problem-solving efforts used by the MNCs and NGOs for ensuring the health and welfare of the workers and the communities in the suppliers' domain.

This research focuses extensively on developing an understanding of how the engagement of different stakeholders (e.g. corporations, suppliers, multi-stakeholder initiatives, NGOs) is important to improve social sustainability. This thesis also facilitates the examination of how different governance mechanisms are employed to solve different problems in the supply chain. Finally, to what extent the different governance structures can lead to improve social sustainability is also discussed in this thesis.

Chapter 3. Theoretical Foundation

This chapter presents the theoretical background that defines the apparatus for analysing the empirical materials of this research. Theory is a set of systematically integrated concepts, definitions and propositions, which aid in explaining the phenomenon studied (Cooper and Emory, 1994). Conclusions cannot be drawn based on empirical materials alone. A theoretical foundation gives a systematic structure to advance scientific understanding. Thus, a theoretical underpinning to explain supply chain governance for social sustainability and bring the field of study forward is imperative. The theoretical foundation of this research is discussed in the three sections (see table 3.1) Transaction cost economics (TCE), Relational Exchange theory and Stakeholder theory.

Table 3.1 Overview of chapter 3

3.1. Transaction cost economics (TCE)	3.2. Relational exchange	3.3. Stakeholder theory
3.1.1. Transaction costs 3.1.2. Governance structures: market, hierarchy and hybrid 3.1.3. Assumptions of TCE 3.1.4. Previous SSCM studies that used TCE	- Relational norms - Relational exchange - Cooperation - Collaboration	3.3.1. Stakeholder attributes 3.3.2. Approaches of stakeholder theory 3.3.3. Accountability towards stakeholders 3.3.4. Transparency 3.3.5. Corporate responsibility 3.3.6. Developing country-based perspectives 3.3.7. Previous SSCM studies that used stakeholder theory

3.1. Transaction Cost Economics (TCE)

Governance structures and mechanisms become pivotal points for understanding corporations' efforts to ensure supplier sustainability performance. The previous chapter gives a detailed description of the assessment or control-based and collaboration or relationship-based governance mechanisms. This section provides an explanation of the concept of governance structure in the light of transaction cost economics.

Governance is at the core of transaction cost economics (TCE). TCE considers the economic relations of companies from a cost-effective perspective (see Williamson, 1979; 1985; 1981; 1991). This theory is widely used to take 'make-or-buy' decisions for transaction in either in-

house governance or external governance (Gietzmann, 1996). From the TCE viewpoint, the primary objective of a corporation is to minimise transaction costs by selecting the most appropriate governance structure, among market, hierarchy and hybrid to govern economic exchanges (i.e. transactions) between parties (Williamson, 1985).

3.1.1. Transaction costs

Transaction costs are usually the combination of transaction risks and coordination costs (Williamson, 1981). Transaction risks refer to the probability that the other party in the transaction can behave in such a way as to avoid agreed-upon rules and responsibilities (Williamson, 1981). Coordination costs of managing relationships include the costs of exchanging information in order to find an exchange partner, the costs of negotiating with that partner, and the costs of monitoring and enforcing compliance to evaluate the partner's performance against the pre-agreed set of rules (Boerner and Macher, 2005; Williamson, 1981). Transaction costs can be *ex-ante* and *ex-post*. *Ex-ante* costs occur from uncontrollable problems at the contract agreement stage; for example, costs of negotiating, bargaining and safeguarding an agreement (Brown et al., 2000; Dahlstrom and Nygaard, 1999). *Ex-post* costs arise after the relationship has been launched and includes for instance, monitoring and maladaptation costs (Brown et al., 2000; Dahlstrom and Nygaard, 1999).

In his article 'The Problem of Social Cost', Coase (1960) argues that the operations of a firm can create not only transaction costs, but also a variety of 'social costs'. He uses an analogy of a railway where fire induced by friction caused harm to the neighbouring corn farm areas. Coase referred to this as a 'social cost' caused by a negative externality problem, because the core business of the railway is transportation. In order to solve these kinds of problems that arise from the actions of a firm and which have harmful effects on others, one should not be looking to play blame games and looking for winners or losers (ibid). He suggests that the solution should be carried out by analysing the 'costs of actions'⁹, while examining the effects of the policy or the governance system that can create a better possibility for negotiation between parties compared to the previous (governance) arrangement. This will allow all parties to come to an agreement that will reduce monitoring costs and create value for all, without

⁹ Coase (1960) suggests that analysing the 'costs of actions' should start from "an analysis with a situation approximating that which actually exists, to examine the effects of a (proposed) policy change and to attempt to decide whether the new situation would be, in total, better or worse than the original one. In this way, conclusions for policy would have some relevance to the actual situation" (p.43).

generating harmful effects (ibid). Therefore, transaction costs influence how exchange between parties is organised, in terms of how much effort and cost is required to complete an economic exchange, as well as how much that exchange can create social benefits and reduce harmful effects.

TCE also shows that the choice of governance structure depends on transaction costs that are influenced by both the costs of managing relationships and that arise from asset specificity and uncertainty and the potential opportunity costs that are derived from bounded rationality and opportunism resulting from making poor governance decisions (Williamson, 1985). In this thesis, TCE serves to choose effective governance structures by analysing the impact of transaction costs on the relational performance of social sustainability. In a buyer-supplier exchange relationship for a better social sustainability performance, costs can increase (Sancha et al., 2016a). In such a case, the goal is not to find the governance structure which best serves production cost-effective outcomes, but rather to identify the structure which generates effective outcomes for social sustainability.

3.1.2. Governance structures: market, hierarchy or hybrid

Ronald Coase, who was awarded the Nobel Prize in Economics for his early work on transaction costs, suggests that a firm wants to mediate economic transactions at a lower cost (Coase, 1937). The transaction costs mode was adopted as a social science phenomenon by Oliver E. Williamson in his pioneering work “Markets and Hierarchies” (1975). Williamson suggests that transactions can be governed by three discrete structures: market, hierarchy or hybrid governance (Williamson, 1979).

In the *market governance* structure, the parties can choose partners from a competitive market which is controlled through the forces of demand and supply and where opportunistic tendencies are mitigated by terminating arrangements with the opportunistic partner and substituting this partner with another exchange partner (Williamson, 1979). However, this kind of termination is not easy or cheap. *Hierarchy* governance is a structure where a dominant entity works to reduce the hazards of opportunism through strict administrative coordination, enhanced monitoring and sanctions (Williamson, 1991). Hierarchical governance structure can be chosen if there is any specific reason to choose it, otherwise market is considered to be the

default structure. Markets and hierarchies are generally regarded as two polar ends of a continuum of governance options (Williamson, 1985).

According to Williamson (1991), TCE has been criticised by several researchers for the fact that the market-hierarchy continuum is too simplistic, therefore, *hybrid* governance which can be also interpreted as *collaboration*, emerges as the third alternative types of governance structure. Hybrids counter the increasing transaction costs incurred by opportunism, economic uncertainty and high asset specificity (Williamson, 1991). Borys and Jemison (1989) describe the hybrid as “organisational arrangements that use resources and/or governance structures from more than one existing organisation” (p.235). A hybrid structure is a mixture of market and hierarchical governance. It sacrifices some market incentives in favour of superior hierarchical coordination, and compromises some hierarchical cooperativeness in favour of superior market incentives (Williamson, 1991). Examples of a hybrid structure include mergers, acquisitions, joint ventures, strategic alliances, license agreements and networks (Heide and John, 1990; Ring and van de Ven, 1992). While there are significant differences among these structures of hybrid organisations, a profound commonality also exists, namely that, the exchange partners need to give up behaving opportunistically towards each other and be committed to their joint goal (Morgan and Hunt, 1994).

There are three propositions of TCE summarised by Grover and Malhotra (2003): (i) The most efficient governance structure (markets or hierarchy) needs to be chosen to organise economic activity. In general, lower transaction costs favour markets, while higher transaction costs favour hierarchies. (ii) Transaction costs are higher under conditions of high asset specificity and high uncertainty. (iii) Bounded rationality and opportunism give rise to transaction costs (p.460).

3.1.3. Assumptions of TCE

TCE is built on assumptions of both human behavioural factors (bounded rationality and opportunism) and economic factors (uncertainty/complexity and asset specificity) (Williamson, 1985).

Asset-specific investments, that is physical asset specificity e.g. finance and human resource specificity for training that are made in a transactional relationship give rise to higher

transaction costs, as these costs have little or no value outside a certain exchange relationship (Williamson, 1985). Specifically, the party that makes the investment is at risk of higher transaction costs, as the other party can engage in opportunistic behaviour (Grover and Malhotra, 2003).

Uncertainty can be either behavioural (opportunism), economic (market volatility) or environmental (contingency) (Williamson, 1985; Anderson, 1988). Uncertainty refers to unexpected changes in circumstances caused by market dynamism which make it difficult to predict the future state of events (Williamson, 1985). In volatile market conditions, buyers have information asymmetry, so they cannot acquire sufficient information to make a correct decision as a supplier may withhold key information (McPherson, 2000). Uncertainty also refers to performance ambiguity which makes it difficult to measure performance and specify outcomes (Anderson, 1988). When asset-specific investments are made in a situation characterised by uncertainty from unexpected contingencies, over time adaptation problems arise, and thus transaction costs increase (Ouchi, 1979).

If transaction costs are low due to low asset specificity and uncertainty, then market governance is to be preferred. On the other hand, if transaction costs are high enough to exceed the cost advantages of the market, then a hierarchical governance is more appropriate (Grover and Malhotra, 2003). Transaction costs also depend on a combination of certain characteristics or key assumptions of human behaviour, namely, bounded rationality and opportunism (Williamson, 1985).

Bounded rationality (first articulated by Herbert Simon, 1957) is the concept which assumes that decision makers cannot always behave rationally, as human beings are limited by a deficiency in their cognitive ability, lack of communication and information processing capabilities. This might lead to additional costs under conditions of uncertainty (Williamson, 1985). One of the tasks of corporate managers is to craft governance arrangements that incur minimal costs, but that consider hazards and opportunism. Bounded rationality limits the managers to writing contingent claim contracts to specify all conditions covering all possible future contingencies. Therefore, it creates the possibility for opportunistic behaviour that increase the coordination costs of managing the contract, thus increasing the cost of transactions (Grover and Malhotra, 2003).

Opportunism is the second behavioural assumption and implies that human actors in the exchange relationship can behave dishonestly or violate agreements out of self-interest (Williamson, 1985). Opportunism refers to a lack of honesty in transactions for “self-interest seeking with guile” (Williamson, 1985, p. 47), or “not delivering the promised actions” (Hardy and Magrath, 1989, p.123). ‘Guile’ incorporates “lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse” (Williamson, 1985, p. 47). It also includes withholding information to mislead, to distort, dishonesty, and in other ways to intentionally create confusion and cheating on a regular basis (ibid).

Opportunism gives rise to transaction costs as the monitoring partner’s safeguarding costs against opportunism increase (Mysen, 2011). In earlier literature, opportunism has been conceptualised in two forms - active and passive opportunism (Wathne and Heide, 2000, p.38) or strong and weak opportunism (Luo, 2006; 2007). As the terms imply, active opportunism constitutes ‘blatant’ or a ‘strong form’ of deliberate misrepresentation and violation of agreement during the course of the relationship between buyers and suppliers. The latter (passive) relates to refraining from performing agreed-upon actions or purposely withholding effort. It is argued that strong form of opportunism is relatively easy to repair, as contracts generally provide clear formal remedies to solve problems, whereas the weak form of opportunism, associated with violations of relational norms, is more complicated and perhaps worse than the strong-form of opportunism (Luo, 2006).

In transaction cost economics, Williamson and others assume that business partners can behave opportunistically to the extent that such behaviour is profitable in the short-run (Williamson, 1985; Williamson and Ouchi, 1981). This behavioural tendency creates the need to shift away from market governance to a hierarchical governance structure (John, 1984). However, it is also assumed that people cannot always be dishonest, just as they are not always completely honest (Williamson, 1993). Therefore, conceptually, opportunism (i.e. unrestrained self-interest maximisation) is not a characteristic of human behaviour in long-term relationships (John, 1984).

There are media reports and academic literature that discuss major corporate opportunism (Ireland and Webb, 2007; Carter and Stevens, 2007). Few SSCM studies show that suppliers also engage in opportunism, such as double bookkeeping (Welford and Frost, 2006) and dishonest practices (Huq et al., 2016; 2014a). Researcher has also shown that buying companies

impose supplier codes of conduct in developing countries, where many suppliers cannot fully comply with CoC and some of them even have tendency to cheat (Jiang, 2009a). The suppliers gain from complying with the CoC, but in the short-term can gain from non-compliance (Crosno et al., 2015). Crosno et al. claim that buyers can act in response to supplier opportunism to protect themselves, or buyers can behave opportunistically to take advantage of suppliers' opportunism, before buyers switch to an attractive alternative supplier (ibid). Buyers' opportunistic behaviour is known as 'motivated blindness'. This is the state when, after identifying unethical behaviour on the part of supplier, buyers purposefully ignore or avoid taking actions for self-interest reasons (Gino et al., 2009).

Limitation of TCE

In spite of its usefulness, several researchers have pointed out various limitations to TCE. It is argued that, due to its lack of dynamism and its static nature, TCE has limited recognition of the social mechanism of governance. It also has little consideration for informal or social control mechanisms driven by culture, power, dependence and trust, which may affect collaborative efforts between parties (Duffy and Fearne, 2004). TCE focuses on the notion of opportunism and transaction cost minimisation, but underplays the role that 'trust' built out of social norms or personal relations can play for parties (Grover and Malhotra, 2003). A transaction cannot be isolated from its context and treated as an independent event (Ring and van de Ven, 1992). Therefore, in some cases, hierarchical control could foster opportunistic behaviour rather than constraining them (Jiang, 2009a). It has been argued that, in reality, there is little evidence that a supply chain relationship is built purely on the cost-effectiveness of transaction (Dekker, 2004). There are other factors that could be taken into account for transactions, such as the selection of a "good" partner who can be trustworthy, the social context in which exchange between parties takes place, and the intention of continuity of the relationship. Moreover, in TCE, in the case of hybrid (or horizontal collaborative) governance, the role of the stakeholders for promoting sustainability has not been identified (Albareda et al., 2008).

3.1.4. Previous SSCM studies that use TCE

TCE offers an important theoretical lens for studying sustainability practices, as identified in several supply chain management research. TCE has been suggested as an effective tool for

evaluating buyer-supplier relationships by Grover and Malhotra (2003). Vachon and Klassen (2006) apply Williamson's (1991) hybrid governance structure to empirically test the 'collaborative paradigm' for green supply chain practices, while investigating internalised and externalised environmental activities of the buyers and suppliers. Few researchers in SSCM approach TCE as theoretical starting point but complement it with other theoretical lenses. For example, in a conceptual paper Carter and Rogers (2008) integrate TCE with the Resource Based View (RBV), Resource Dependency Theory (RDT) and Population Ecology to explain why all three (economic, environment and social) aspects of the TBL are essential to sustainability in the supply chain. Pagell et al. (2010) take contradictory perspectives for the evolutionary use in the purchasing portfolios related to SSCM, where short-run changes are explained by using TCE, long-run changes are explained by RBV and stakeholder theory is used to explain the non-critical resource context to develop a strategic tool for managerial decision making. Likewise, Gimenez and Sierra (2013) use TCE and RBV to analyse the effectiveness of two governance mechanisms, 'assessment-based' and 'collaboration-based' - to improve environmental sustainability performance. Result shows that both mechanisms have positive effects on environmental performance, and that assessment is the enabler of buyer-supplier collaboration. Similarly, Sancha et al. (2016a) adopt the lenses of TCE and RBV to study a buyer-supplier relationship to develop assessment-collaboration-performance hypotheses. Their results suggest that, the imposing of assessment rather than collaboration leads to a risk that suppliers may behave opportunistically.

Jiang (2009a) makes detailed use of TCE and relational exchange theory (RET) to explain how governance relationships lead to supplier compliance with CoCs that are imposed on the suppliers by the buyers. The author tested the model using data from compliant and non-compliant suppliers, and concluded that buyers' hierarchical control mechanisms often cause non-compliance, as they do not provide the suppliers with any assistance to solve the compliance problems. Lastly, King (2007) uses TCE and stakeholder theory to hypothesise how firms and their stakeholder groups work together for environmental sustainability. His findings suggest that when transaction costs are low, corporations and stakeholders can minimise social costs by transacting to their mutual advantage, but when transaction costs are high, reducing social costs requires the intervention of a centralised institution (ibid, p.889).

Alvarez et al. (2010) conducted a five-year longitudinal qualitative case study was conducted in the coffee industry and included farmers, suppliers and NGOs. The authors used network

theory, relational exchange theory (RET) and TCE to explore inter-organisational networks and dynamics of governance (ibid). Their study showed that in an environment of high context uncertainty, governance mechanisms were mostly informal during the initial phase of the relationship (ibid). Another qualitative study in the case of the ready-made garment industry (Huq et al., 2014a) demonstrated that TCE is a useful lens for understanding the phenomenon of social sustainability. In this study the authors identified the motivators, barriers and enablers of the social sustainability implementation process by developed country buyers for developing country suppliers. However, they did not identify 'collaborative' efforts for 'hybrid' governance structure.

In this thesis, TCE is used to analyse the effects of transaction costs on choosing a governance structure that supports a set of governance mechanisms for improving social sustainability. In a buyer-supplier exchange, there is a risk that suppliers can behave with a lack of honesty, that is opportunistically (Sancha et al., 2016a). In that sense, to minimise the emergence of opportunistic behaviour and to reduce transaction risks, an appropriate governance structure is needed to apply the governance mechanisms (e.g. assessment, collaboration, etc) (Carter and Rogers, 2008).

3.2. Relational Exchange Theory

Exchange relationships do not strictly follow the assumptions of TCE. The relationships of exchange parties evolve over time, during which transactions are managed from a more cost-effective way to more relational way (Heide and John, 1992). However, when a company maintains a long-term relationship with its suppliers, at a later point in time, that company can change its goals to reduce supply costs, and can then again seek an economic transactional approach (ibid). Relational exchange is generally a long-term, continuous and more complex form of relationship (Macneil, 1980). In relational exchange, the relationship itself is more important than the economic exchange (i.e. transactions) (ibid). Unlike other market or hierarchical forms of governance which are applied through sanctions or incentives, relational exchange is an intimate form of behavioural control. Governance through relational exchange consists of a set of relational norms or shared expectations (Macneil, 1980).

Relational norms

Relational norms “are expectations about behaviour that are at least partially shared by a group of decision makers” (Heide and John, 1992, p. 34). Relational norms are multi-dimensional. They include solidarity for the common interest and responsibility, flexibility in modification, information exchange to reduce asymmetry, conflict handling by making mutually-satisfactory compromises, role integrity that extends beyond transaction, expectation of sharing benefits and burdens, reciprocity among the parties and restraints on unilateral use of power (Ting et al, 2007; Ouchi 1979). As relational norms evolve and become internalised by the exchange partner, they can serve as moral controls against opportunism and promote commitment (Brown et al., 2000; Joshi and Stump, 1999). However, it is unclear if the relational norms are the pre-requisites or the consequences of regulated behaviour.

Relational exchange

Relational exchange is based on the expectation of mutuality of interest to enhance the wellbeing of the whole relationship between the parties (Heide and John, 1992). Brown et al. (2000) suggest that relational exchange can reduce opportunism. They state that “managers should focus their efforts on building effective relational exchange with their channel partners” (Brown et al., 2000, p. 62). This advocates an informal and positive form of governance through idiosyncratic investments, reputation, relationship benefits, and shared values, rather than direct control (Hawkins et al., 2008). Relational exchange can constrain opportunism (Morgan and Hunt, 1994), as the emphasis of the relationship is on sharing relational values and norms, but not on potential sanctions (Ouchi, 1980). However, developing relational exchange requires investing time and effort. Once relational exchange is developed, it reduces the need to safeguard against opportunism and thereby reduces overall transaction costs (Brown et al., 2000; Ouchi, 1980).

Cooperation

Cooperation refers to situations in which parties work together to achieve mutual goals but do not create an alliance or merger (Ouchi 1980; Joshi and Stump, 1999). While doing so, partners exchange physical and nonphysical resources (Ring and van de Ven, 1994). Cooperation requires intrinsic motivation (Kreps, 1997) and mutual interdependence between partners (Ouchi, 1980). In a cooperative relationship, the partners mutually share the outcomes. However, if one party pursues opportunism, then cooperative willingness is reduced and the relationship can generally dissolve (Das and Teng, 1998). The fundamental problem of

cooperation is that the individual or organisation have only partially overlapping goals and they pursue incongruent objectives (Ouchi, 1980). Uncertainty regarding trust can be found in the management literatures for cooperative practices, as in such practices, participants may have limited confidence in the predictability of their own expectations and the other's goodwill (Ring and van de Ven, 1994). The benefits of cooperation are symbolically assessed by the participant in terms of the values and meanings they assign to the cooperative activities (ibid).

Collaboration

Collaboration is conceptualised as a process where two or more stakeholders pool physical and nonphysical resources to support each other in a way that benefits all the participants involved and helps them to achieve their collective goals (Cao and Zhang, 2011). Collaboration can be established between individuals, groups and organisations. In the supply chain context, *vertical* dyadic relationships deal with how relational exchanges between the buyer-supplier might influence SSCM (Vachon and Klassen, 2008). On the *horizontal* level, collaboration between competitors and other organisations, e.g. governments, universities occur in most of the cases if there are pre-established associations among the organisations (Austin, 2000). The benefits of collaboration for the parties involved are the optimisation of financial and human capital as well as gaining access to the market and knowledge to accomplish objectives (Fadeeva, 2004). However, the collaboration system becomes more complex when more stakeholders become part of the collaboration, and this may even lead to inefficiencies (ibid). Since collaboration requires time and trust, the majority of the collaborative practices struggle to capitalise its full potential (ibid).

3.3. Stakeholder Theory

Stakeholder theory has become a key conceptual device over the past couple of decades in fields, such as business and society, business ethics, and management. It became a popular tool, as it deals with a variety of competing concepts which are both complementary and contradictory (Reed, 2002). In his landmark work on stakeholder theory, Freeman (1984) suggests that corporations have a broader range of responsibility towards society. Freeman defines the term 'stakeholder' in two ways: as those groups who are crucial for the survival and success of the corporation; and, as any individual or group who can affect or be affected by the achievement of the corporation's objectives (1984, p. 46). A key point of stakeholder

theory is the distinction between primary and secondary stakeholders (ibid). In supply chain relationships, primary stakeholders are those who engage in economic exchange and without whose continuing participation market relationship cannot survive (ibid). Among the primary stakeholders, suppliers (representing the production market), employees (representing the labour market), customers (representing the selling market) and shareholders are considered most critical (Freeman, 1984). In contrast, secondary stakeholders are “those who affect, or are affected by the corporation, but are not engaged in direct economic transactions with the corporation” (Clarkson, 1995, p. 107), those who are out-side a corporation’s core business operations (Carroll, 1991).

Stakeholder theory has been used for identifying the ‘secondary stakeholder’. Secondary stakeholders are those who create pressure on the corporations to reduce negative impacts (externalities) and increase positive ones. Example of these kinds of stakeholders include non-profit organisations (Ehrgott et al., 2011; Tsoi, 2010; Mamic, 2005), trade unions (Campbell, 2007), media (Deegan and Islam, 2014; Park-Poaps and Rees, 2010), customer groups (Ehrgott et al., 2011) and regulatory agencies (Ciliberti et al., 2009). As a response to a corporation’s performance, these stakeholders have the capacity to mobilize public opinion in favour of or in against to the corporation (Clarkson, 1995). Management needs to take them into consideration when trying to achieve corporate goals. Secondary stakeholders can be also those to whom the corporations have a normative (moral) commitment for treating them in a positive way, e.g. communities (e.g. local residents, special interest groups) (Berman et al., 1999). Stakeholder theory can help describe and explain the effects of management decisions on these groups of affected actors who have valid normative claims on the corporations (Reed, 2002).

Limitation of stakeholder theory

Like all theories, the stakeholder theory has limitations. Some argue that stakeholder theory is a research tradition rather than a theory (Treviño et al., 1999). In his landmark book “Strategic management: A stakeholder approach” Freeman (1984) states that, it as an ‘approach’ rather than claiming it to be a ‘theory’ (Belal, 2002). The stakeholder approach fulfils the requirement of moral clarity as it considers the consequences of managerial decisions on different stakeholders. However, this approach suffers from the problem of indeterminacy, as moral obligations cannot be judged, and can be generated while balancing different interests of different groups (Miller, 2002). Moreover, Moriarty (2014) criticises stakeholder theory as it is not very clear how the balance should be made in terms of conflicting interests among

stakeholder groups. Further, this theory does not specify the nature of relationships or the level of influence stakeholders can have on each other, apart from the voting right that stakeholders have in corporate governance (Moriarty, 2014). The interaction of the suppliers and other key stakeholders is rarely explored by researchers studying stakeholder theory (Johnsen et al., 2017).

Despite these limitations, many developments and directions for the stakeholder theory do exist. In a literature review of 179 articles between 1984 to 2007 (Laplume et al., 2008) show that Freeman's work on stakeholder theory has been used to define the stakeholder, stakeholder actions and responses, corporations' actions and responses, corporation's performance, and conceptualise corporate social responsibility. The attributes of key stakeholders (Mitchell et al. 1997); accountability of the corporation towards its stakeholders (Gray et al., 1996); arguments for and against the instrumental approach and the normative approach of stakeholder theory (Berman et al., 1999). These three streams are overlapping. The following aspects are described in more detail below.

3.3.1. Stakeholder attributes

Along with Freeman's definition, another theory of stakeholder identification is derived from Mitchell et al.'s (1997) classification of stakeholders. These authors suggest that stakeholders have three attributes: power, legitimacy, and urgency (p.869-870). The stakeholder's *power* is the ability to influence the firm or to bring about desired outcomes through force or persuasion, (2) *legitimacy* refers to the stakeholder's relationship with the firm; it is the degree to which the actions of an entity are generalised as credible, desirable, acceptable or appropriate (justified), and (3) *urgency* is simply the degree to which the stakeholder demands immediate attention/action from the corporation. These attributes may exist independently or together. In addition, Mitchell et al. (1997) assume that these attributes are variable, not steady; they are based on multiple perceptions of social construction rather than an objective reality; and any individual or entity may or may not consciously possess these attributes.

Although in SSCM research, only a limited number of empirical works have assessed the salience of various stakeholders, a few studies indicate that some of the stakeholders are more influential than others as they have higher salience. For instance, Paloviita and Luoma-aho (2010) apply the stakeholder typology with its attributes of power, legitimacy and urgency of

Mitchell et al. (1997) in combination with institutional theory and contingency theory to identify the need to change organisational strategies. This is because any stakeholder, including customers, locals and suppliers can become definitive stakeholder in environmental issues over time, and directly or indirectly, through mutual relationships in the complex stakeholder networks, can exert authority on organisations. By using stakeholder theory of Mitchell et al., Park-Poaps and Rees (2010) investigated 209 mail survey responses from sourcing managers of U.S. apparel and footwear. They identified the influence of stakeholders for socially responsible supply chain orientation. Their finding shows that pressure from the stakeholders – media, consumers, regulatory agency and industry peers who have legitimate or illegitimate claims can be the forces to change business behaviour on labour management.

3.3.2. Approaches of stakeholder theory

Three approaches to stakeholder theory have been identified: descriptive, instrumental and normative (Donaldson and Preston, 1995). The *descriptive approach* proposes an examination of corporate and stakeholder relationships to provide an understanding of how corporations deal with different stakeholders. The *instrumental approach* also proposes an examination of corporate and stakeholder relationships that should provide certain economic benefits. The *normative approach* proposes an examination of corporate and stakeholder relationships that should consider secondary stakeholders' interests and offers guidance on how to account for them (secondary stakeholders) using moral or philosophical principles. One weakness of Donaldson and Preston's (1995) distinction between the different forms of stakeholder approach is that it does not provide a strong epistemological basis for these distinctions (Freeman, 1999).

In addition, Berman et al. (1999) suggest two models for stakeholder theory: the strategic stakeholder management model and the intrinsic stakeholder commitment model. The *strategic stakeholder management model* shows the nature and extent of managerial concern for one stakeholder group - its shareholders, and only works to maximise shareholder value (Berman et al., 1999). The second, the *intrinsic stakeholder commitment model* refers to the model where corporations' "managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to use those stakeholders solely to maximise profits" (Berman et al. 1999, p. 492). At the core of normative stakeholder theory is the belief that

corporations should treat each stakeholder relationship as an end in itself, not as a means to an end (Belal and Roberts, 2010).

In a similar vein, Belal (2002) makes a distinction between stakeholder management and stakeholder accountability. In *stakeholder management*, the corporation does just enough to keep a customer loyal. In *stakeholder accountability*, the corporation commits to creating values on the basis of deeper social responsibility.

3.3.3. Accountability towards stakeholders

Accountability places society at the heart of the analysis and questions the legitimacy of an organisation's actions (Gray et al., 1996). Gray et al. (1996) indicate that whether or not a developing and active accountability is an essential condition of sustainability is not straightforward. However, a governance system with enhanced mechanisms of accountability is a precondition for controlling some of the unsustainable trends in the supply chain (Gray et al., 1996). One type of accountability is when the media, trade unions, and non-profit organisations that hold civil-society based accountability (Rubenstein, 2007) pressurise the corporations to acknowledge their accountability for 'sustainable development' or 'human rights' issues (Huq et al., 2014a; Preuss and Brown, 2012).

Grant and Keohane (2005) define accountability as having three main elements: standards, information, and sanctions. They claim that (a) 'the corporations should be more accountable', meaning, the corporations should hold a higher *standard* (for the suppliers are expected to meet the standards); here, the standards might be rules, norms, procedures and outcomes (Rubenstein, 2007). (b) After standards are determined, 'the corporations should provide more *information* about its past activities'; which mean that corporations should report their CSR activities or sustainability performances, or alternatively, that the corporations acquire information about to whether and to what extent the suppliers have complied with the standards (ibid). (c) Based on the information obtained about the suppliers, 'the corporations' ability to impose sanctions', meaning whether the corporations should *sanction* the suppliers for failing to meet the standards (ibid). The rights to impose sanctions are mutually accepted, but the suppliers have the discretion to determine how and to what degree they would fulfil the obligation (Grant and Keohane, 2005).

It is often unclear who is the ‘accountability holder’ (Keohane, 2008). As Rubenstein (2007) has stated “to whom an obligation is owed is known as ‘accountability holder’. The accountability holders generally play a significant role in sanctioning those who are being held accountable” (p.616). Since accountability is about power and the distribution of authority, more powerful actors are accountability holders for their treatment of less powerful actors (e.g. factory workers) (Grant and Keohane, 2005). In the supply chain context, if the buyers hold the suppliers accountable, then the buyers have power over the suppliers (Keohane, 2008). In accountability relationships, corporations can demand that suppliers should be accountable, but suppliers may or may not feel the corresponding obligation (ibid).

The corporations do not hold any legal authority to force their suppliers to obey the codes of conduct, but they do hold the *hierarchical accountability* (Grant and Keohane, 2005) of economically sanctioning suppliers by terminating the contracts of those who violate the CoCs or local labour laws. However, Grant and Keohane (2005) state that practicing sanctions creates a ‘weak point’ in accountability in a global supply chain, as it can only be implemented by the powerful agents. *Peer accountability* is when actors belonging to the same group are accountable to each other and not to outsiders (ibid). Thus, when a corporation is accountable to another corporation it safeguards its corporate reputation. *Reputational accountability* is a non-institutionalised form of accountability through which an organisation can increase its public reputation (Grant and Keohane, 2005; Keohane, 2008). Reputation is a form of ‘soft power’ that enhances the ability to shape the performance of others (Nye, 2004, p.5 in Keohane, 2008). Supply chains provide platforms for collaboration to address accountability by internalising environmental and social externalities (Dunham et al., 2006; Carter and Jennings, 2002).

“Accountability is simply identifying what one is responsible for and then providing information about that responsibility to those who have rights to know that information” (Gray et al. 1996, p.11). A corporation’s accountability towards its stakeholder varies, which depends on the stakeholder rights to information. Gray et al. (1996), categorise these rights on the basis of: law, quasi-law or non-legal codes; corporate values and mission statements; and moral rights. As the accountability discharging organisation, corporations need to provide the following four categories of information to its stakeholder. (i) Information defining the essential elements of the relationship, e.g. source location, number and types of suppliers in the supply chain context. (ii) Information disclosing responsibilities, e.g. compliance with codes of

conduct, information to protect environmental and social sustainability. (iii) Information a corporation wishes to tell its stakeholders through sustainability reporting, e.g. this information generally is positive that corporations comply with their own mission/value statement. (iv) Information concerning the stakeholder's preferences for responsibility and accountability.

3.3.4. Transparency

Transparency is one of the ways to prove the accountability of the corporations through providing the four categories of information given above. However, transparency refers not only to reporting to stakeholders, but also to actively engaging stakeholders and using their feedback to improve the sustainability of the supply chain (Carter and Rogers, 2008). Corporations initially have some potential ways to achieve transparency: (i) Developing codes of conduct for the suppliers (Jiang, 2009a). (ii) Resorting the certifications or standards of others by endorsing their codes and complying with their standards via third-party accreditation (Ciliberti et al., 2009) (iii) Publishing annual CSR or sustainability reports (Tate et al., 2010).

Adherence to the codes or standards lead the corporations to adopting various implementation processes (e.g. monitoring, auditing) to ensure that their suppliers are complying with their CoCs or other external standards. There are problems associated with auditing or inspecting suppliers and the consequences for the enforcement of CoCs. As a result, the track record of corporations' accountability for human rights, health and safety rights has been unclear in the global supply chain (Quarshie et al., 2016).

In terms of non-financial CSR or sustainability reports, these are used as a legitimisation device to manage stakeholders demands, rather than necessarily ensure sustainability (Belal, 2002). CSR or sustainability reports are also used as a marketing tool to enhance corporate image among stakeholders and other concerned parties (Homburg et al., 2013). Corporations seek to enhance their positive image to stakeholders in order to create a positive reputation (Hoejmosse et al., 2014). Social and environmental reputation can act as an intangible and inimitable resource for the corporations. Corporate reputation also has a positive correlation with greater social responsibility and contributions to social welfare (Tate et al., 2010).

3.3.5. Corporate Responsibility

After discussing corporate accountability and transparency towards stakeholders, it is time to know the extent of responsibility of a corporation towards its stakeholder. Stakeholder theory has been used to conceptualise corporate social responsibility (Laplume et al., 2008). A stakeholder framework has been developed from a corporate social responsibility (CSR) perspective to identify the management of a corporation's relationship with its stakeholder (Clarkson, 1995). In the framework, the following terms: reactive, defensive, accommodative, and proactive introduced from Carroll (1979) to characterise corporate strategy or posture toward social responsiveness. The conceptual basis of Carroll's (1979) three-dimensional model (economic, legal, ethical) of corporate social performance and the model by Wartick and Cochran (1985) (philosophy, posture or strategy, social issues) show the corporation's involvement for social responsiveness.

Table 3.2 The strategy-responsibility-performance scale (adopted from Clarkson 1995, p.109)

Posture or Strategy	State of Responsibility	Corporate Performance	Relation between implication for codes of conduct or standards with sustainability performance
1. Reactive	Deny responsibility	Doing less than required	Not fully complying with legislation, codes of conduct or standards
2. Defensive	Admit responsibility after pressure	Doing the least that is required	Do only what is required to comply with legislation, codes of conduct or standards
3. Accommodative	Accept responsibility	Doing all that is required	Complying with minimum legislation, standards or codes of conduct in a progressive way
4. Proactive	Anticipate responsibility	Doing more than is required	Performing above legislation, standards or more than codes of conduct requirements, therefore, lead the industry

The strategy-responsibility-performance scale is useful for identifying corporate responsibilities and performance. Table 3.2 above is adopted from Clarkson (1995), where *strategy* characterizes a corporation's posture towards the management of social issues. A corporation demonstrates its *level of responsibility* towards stakeholders. *Corporate performance* refers to measures of actions with regard to the management of particular social issues and the levels of responsibility that the corporation has assumed or defined. The concept of acceptance or rejection of responsibility is central to the characterisation of a corporation's strategy (Clarkson, 1995). This table 3.2 raises the question of 'who requires corporate

performance?'. Therefore, the interpretation is provided in the right column. The requirements for corporate performance are either specified by legislation, or by the codes of conduct where the corporations show commitment to undertake certain responsibilities and obligations towards specific stakeholder groups, such as who pressurise them, when transactions are made with stakeholders (e.g. supplier), who are affected by the corporate objectives (e.g. community, general public).

Corporate social responsibility (CSR) in practice simply explained by reference to stakeholder theory (Dunfee, 2008; Matten and Moon, 2008). It is practical as the corporation needs to manage their stakeholders, but whether they are good or bad at managing is a different question. For example, using a stakeholder theoretical lens, it has been conceptually argued that corporations voluntarily invest in fulfilling societal expectations based on supportive laws and societal-political norms of the developed countries' (Dunfee, 2008). Matten and Moon, (2008) argue that stakeholder identification and interest differ across nations, and that, stakeholders other than shareholders play an important role in influencing the corporation on CSR policy implementation within the European model of CSR. On the other hand, in the United States, corporations have to hold a high degree of accountability and transparency as the stock market is the central financial source of capital (Matten and Moon, 2008). By putting stakeholder theory into supply chain context, Thornton et al. (2013) studied to what extent a supplier's CSR matters to the buyers when they select a supplier. This study was conducted in three culturally and economically distinct environments: China, the United Arab Emirates, and the United States (using data from 479 manufacturing, retail, and service-provider firms). This study finds that CSR matters mostly to export-oriented business organisations.

3.3.6. Developing country-based perspectives

Why do corporations need to manage social issues far down in the supply chain? Developing countries tend to be more resource constrained, compared to the nations which are highly industrialised. Stakeholder theory suggests that when corporations operate in the developing countries it is likely to be economically beneficial for them. Therefore, corporations have responsibilities towards the actors in the supply chain of the developing countries (Jamali and Mirshak, 2007). In a conceptual paper, Reed (2002) suggests that two sets of factors increase the responsibilities of corporations who operate in developing countries. First, factors that are constituted by economic, political, legal, and sociocultural circumstances under which

corporations have to operate in developing countries. Second, additional or supplemental normative principles can increase the responsibilities of corporations acting in developing economies.

In relation to the *economic* realm, markets in developing countries tend to be less mature or less “perfect” compared to those in developed countries. *Political* rights are not adequately established by law, and civil society’s activities may be limited. A number of important *social* aspects, such as literacy rates, education, access to information, health and access to safe drinking water are typically less well-off in the developing countries. In terms of the *legal* realm, there can be inadequacy of government efforts to legislate and enforce appropriate labour standards and rights. In addition, Reed (2002) defines the first normative principle as the corporate responsibility to “respect acts of public autonomy (even when not legitimated through a formal democratic process)”; and second, as the corporate responsibility to “fulfil obligations not taken up by other actors (e.g., government)” (p. 184), thereby filling a key ‘regulatory gap’ (Scherer et al., 2014). In the developing country context, the stakeholder management by the corporation is significant for sustainable practices in supply chains (Huq et al., 2014a). In empirical studies in the context of developing countries’, stakeholder theory can provide important insights by introducing multiple stakeholder perspectives.

3.3.7. Previous SSCM studies that use stakeholder theory

Stakeholder theory continues to attract the attention of business scholars as it has the potential to provide an understanding of corporation’s behaviour, especially from the perspective of the developing countries as opposed to the traditional economic model of the corporation (Belal, 2002). There has been a large growth in the stakeholder literature. However, only a few studies in SSCM directly consider stakeholder theory for social sustainability concerns.

Specific stakeholder influences on social sustainability have been identified in the study of how stakeholder pressures affect the development of buyer and supplier in a supply chain (Huq et al., 2016). Their findings show that in the absence of intense stakeholder pressure, buyers can lay the foundation for improved social performance by using their own auditors and collaborating with suppliers rather than using third-party auditors. However, they have also found that third-party audits can offer increased transparency and improvements in worker

education and training. Similarly, using stakeholder theory Ehr Gott et al. (2011) address stakeholder pressure on supplier selection practices in emerging economies and the corresponding effects of such practices on the firm's relationship with these stakeholders.

Apart from stakeholder pressure, some studies identify the role of stakeholders in sustainable sourcing. Based upon stakeholder theory, Schneider and Wallenburg's (2012) paper identifies internal (functional manager, customers, suppliers) and external (competitors, regulatory authorities, NGOs) stakeholders and their specific importance in driving the implementation of sustainable sourcing for all Triple Bottom Line (economic, environmental and social). Tsoi (2010) investigates the roles of Chinese local and regional stakeholders who regulate outsourcing activities in the supply chain to manage their indirect environmental and social impacts. Tsoi's findings show that a corporate–corporate partnership in developing a standardised human resource management system is beneficial, as it helps to share the cost and effort of bringing about long-term changes (ibid).

Little SSCM research has investigated a phenomenon using stakeholder theory along with a multi-theoretic perspective. For example, Morali and Searcy (2013) combine theories, such as contingency theory, institutional theory, stakeholder theory, RBV, RDT to explore the integration of corporate sustainability principles into SCM, based on the study of one hundred Canadian corporate sustainable development reports. Homburg et al., (2013) integrate instrumental stakeholder theory with social exchange theory (SET) to examine the effects of supplier's CSR engagement on buyer's loyalty.

These above-mentioned studies show that stakeholder relationship can be of a vertical-hierarchical type (e.g. buyer-supplier), while others can be of a more horizontal partnership type (e.g. corporate–corporate) (Tsoi, 2010). Also, some relationships can be more of a benevolent reaction towards secondary stakeholders (Reed, 2002). In some studies, the effects of stakeholder pressures on sustainability have been investigated extensively (Huq et al., 2016; Ehr Gott et al., 2011; Park-Poaps and Rees, 2010; Ciliberti et al., 2009; Mamic, 2005), but, stakeholder engagement for implementing governance mechanisms has not been explored enough.

Stakeholder theory is particularly applicable to SSCM because corporations may commit to taking responsibility for the stakeholder for 'intrinsic' moral values that are initially

economically unfavourable (Berman et al., 1999). At the same time, stakeholders' pressure may lead corporations to adopt some SSCM practices (Sarkis et al. 2011). Stakeholder theory is relevant for the investigation of corporations' sustainable behaviour in the global supply chains and this theory lends a perspective to the reasons why corporations behave in a sustainable way. In addition, stakeholder theory can help to explore corporations' engagement with business and non-business actors.

3.4. Chapter Summary

To conclude this chapter, some theoretical aspects mentioned above is highlighted that are useful for the analysis of empirical materials (see table 3.3).

Table 3.3 Summary of Transaction cost economics and Stakeholder theory

	Transaction cost economics (TCE)	Stakeholder theory
View of the MNCs	The MNCs are rational efficiency guided hierarchical organisations that want to minimise the production and coordination costs with minimal transaction risks	The MNCs are value-laden organisations which belong in a network of multiple stakeholders inside and outside of that organisations that have responsibility towards its stakeholders
Ability of the MNCs	The MNCs have the ability to involve in transactions in situations where transactions risks (e.g. opportunism or uncertainty) and transactions costs (e.g. monitoring, negotiating, bargaining) are high	The MNCs have the ability to response to the needs of the 'affected' stakeholder, and solving complex sustainability problems
Critical role of the MNCs in the supply chain	To apply appropriate monitoring, involve in negotiating and bargaining to reduce other party's (suppliers) opportunistic behaviour	To role of the MNCs is to identify who the key stakeholders are in the supply chain, so that, they can give support to the stakeholders and can get support from the stakeholders
Help to understand	The TCE helps to understand the MNCs choice of government structure (markets, hierarchical, or hybrids) that can generate effective outcomes for social sustainability	Stakeholder theory helps to understand stakeholder engagement for improving social sustainability

TCE helps to identify effective governance structures that plays an important role in enhancing social sustainability. TCE assumes that the transaction costs for managing both human behaviour (bounded rationality and opportunism) and economic factors (uncertainty/complexity and asset specificity) (Williamson, 1985) influence the choice of governance structures. TCE serves the assumption of this thesis that effective governance

structures are not necessarily those that give the lowest production option but that can minimise the opportunistic costs of the suppliers, and can also support the appropriate governance mechanisms (e.g. evaluation and monitoring of the suppliers). TCE also predicts that opportunism by one party increases the transaction costs, such as monitoring, maladaptation and bargaining of the other party (Dahlstrom and Nygaard, 1999; Williamson, 1985).

In addition, stakeholder theory is used as a complementary lens for understanding the phenomenon of social sustainability governance from the developing country perspective. The discussion of stakeholder theory, especially stakeholder attributes by Mitchell et al. (1997), corporate responsibility scale (Clarkson, 1995), and accountability (Gray et al., 1996; Grant and Keohane, 2005) help to describe the performance scale of social sustainability and identify those stakeholders that play an important role in improving social sustainability.

Chapter 4. Research Methods

This chapter reveals the background scenarios to the making of this thesis. The rest of the thesis is arranged to show the results of the research process. At the core of the study is fieldwork in Bangladesh and includes visits to the ready-made garment factories and interviews. After that, the empirical materials gathered were interpreted, literature was read and analysed to accomplish this thesis. In this chapter, I explain the rationale behind the research process, that is, how the empirical materials were generated and processed to become this research account. The purpose of this chapter is to present the methods used and show how conclusions were reached, to guide the reader to understand the chapters that follow. After reading this chapter, the reader can also form an opinion about the rigour of this qualitative study.

This research process was practically challenging as I had to tackle a number of dead-ends. The chapter is structured chronologically (see table 4.1). First, I begin with some background information about my research interests, then comes a description of the fieldwork that is divided into three episodes: entering the field, collecting empirical materials and presenting the findings in academic conferences. Then, in the last section, I explain the desk-work during which the empirical materials were processed, the literature review and the role of the theory in this research, and the thesis writing endeavour.

Table 4.1 Overview of chapter 4

4.1. Before entering the field	4.2. The fieldwork	4.3. The desk-work
4.1.1. My research motivation 4.1.2. Philosophical underpinning 4.1.3. The phenomenon-driven research 4.1.4. The evolving case	4.2.1. Entering the field 4.2.2 Collecting empirical materials 4.2.3 Presenting the findings in academic conferences	4.3.1. The role of the theory 4.3.2. Processing empirical materials 4.3.2.1. Generating the empirical base 4.3.2.2. Analysing and interpreting the empirical materials 4.3.2.3. Delimiting the empirical materials 4.3.3. Writing endeavour 4.3.3.1. Writing and communicating 4.3.3.2. Reflections on research approach and methods

4.1. Before entering the field

Before explaining how the fieldwork was carried out in Bangladesh and to give the background of this study, I will give a short introduction to my research interests at the beginning of my doctoral studies (section 4.1.1). I will also present the philosophical underpinnings (section 4.1.2) and my reasoning for phenomenon-driven research (section 4.1.3) and choosing the case study method (section 4.1.4).

4.1.1. My research motivation

In 2013 after Rana Plaza disaster, I was devastated by the news of the garment workers fatal and accident in Bangladesh. I tried to understand why the workers are dying to make our clothes and how I could contribute to the betterment of this particular industry in Bangladesh. I realized that I had to make a qualitative empirical study of the supply chain management of the ready-made garment industry to know if the supply chain practices are moving forward towards improving the workers' safety after the catastrophe. During my fieldwork I visited the garment factory in person and talked to the people working there, talked to the representatives of the multinational companies and talked to many other actors involved to get an understanding of the social phenomenon. After returning home, I undertook the academic work of analysing and interpreting the empirical material and writing the thesis.

As a researcher, I try to ensure confirmability by disclosing my predispositions, to show that the findings are not biased by my personal motives, but rather my subjective view of the world. Researchers including myself with 'subjective' axiology (Tsoukas and Chia, 2011), believe that reality is internal to the social actors and social phenomena are created by the perception and consequent actions of the social actors. I have a *relativist* perception of the nature of reality, as I believe that the social actions of one actor are seen by the other actors through creating meaning in the context of socially constructed interpretations (Burrell and Morgan, 1982). The nature of the research interest drove me to undertake qualitative research. Qualitative research allows the researcher to explore and identify the themes and relationships in the empirical materials, as well as enabling an organisation of the concepts and relationships in the literature scheme (Saunders et al., 2012). My intention here is to describe the phenomenon from the perspectives of the participating actors in their natural setting and relate it to the socially sustainable practices.

4.1.2. Philosophical underpinning

The philosophical basis that underlines the qualitative methodology of this research is hermeneutics 'phenomenology' that provides rich description of human experiences and meanings (Martin Heidegger 1962 in Friesen et al., 2012). Phenomenology cannot constitute itself without a hermeneutical presupposition, in other words, it is impossible to study meaning without inquiring into the experiential grounding and vice-versa (Paul Ricoeur, 1991 in Friesen et al., 2012). Phenomenology has been distinguished by a number of scholars as descriptive (followers of Husserl) and hermeneutic or interpretive (followers of Heidegger, Ricoeur) (Friesen et al., 2012). Heidegger explains in 'Beginning and Time' that interpretation constitutes an inevitable and basic structure of "being-in-the-world", where the hermeneutical situation is the situation in which we ask questions about ourselves, about the nature of the situation itself, and who we should be in it (Heidegger, 1962, p.275 in Friesen et al., 2012). Following the ideas of Heidegger, hermeneutic phenomenology is considered to help us grasp "how an individual perceives (interprets) the world around them and how a researcher can understand the world of that individual (research subject) from her/his point of view without making any preconception" (Saunders et al., 2015, p.18). In this type of research, to produce an objective record of the event findings emerge from the participants' perception of an event, rather than that imposed by the researchers (Saunders et al., 2015). Therefore, hermeneutic phenomenology is concerned with the meaning that those participants themselves make sense of their experiences, and where the participants are considered as experts in the chosen phenomenon studied (van Manen, 1997). Hermeneutic phenomenological inquiries are difficult as they can depend on the participants articulative skills, and they may omit information or forget to tell the story to the researcher about the broader time periods of his/her experience related to the studied area (Moustakas, 1994). Conclusions derived from this type of research are limited by the choice of the researcher to select the participants. It also limited by the participants choice of providing information about what led up to their experience, outcome concomitants and factors associated with the experiences (Moustakas, 1994).

The problem of hermeneutic phenomenology is that the researcher cannot directly or completely grasp the meaning of the participants' perceptions of the world, as such access is bounded by the researcher's own conception to make sense of other peoples' perceptions through interpretative process (Moustakas, 1994). On the other hand, hermeneutic

phenomenology-based research methods of inquiry give an openness to meanings and experiences, and therefore, the researcher is open to the revision and reinterpretation of the rich description of the lived experience or the social world (Friesen et al., 2012). The researcher in hermeneutic phenomenology research needs to go beyond the surface expressions of the participants to read between the lines to extract implicit meaning (van Manen, 1997). Interpretation requires embracing a specific co-creation of a researcher-participant intersubjective relationship (ibid). Researcher subjectivity can influence interpretation to some extent, therefore, some researchers ask to 'bracket' past knowledge, previous understanding and assumptions about the phenomenon, so that, the data can be analysed without subjective bias (Friesen et al., 2012). Other researchers would claim that 'bracketing' the researcher's experience and understanding is not possible as there can be no such thing as 'value-free' observation (Llewelyn, 1992).

I pursue this research in an attitude of relative openness. I was open to understand the participants' life-experiences. While doing so, I was aware of the participant's professional and organisational background to filter their responses through the context and socio-cultural life-situation of the participants. Later in this chapter, I reflect upon how the participants were selected considering their heterogeneous background and I also elaborate on the matters that I have collected empirical materials by gathering information from the participants through different techniques and strategies. I upheld a critical self-awareness of my own subjectivity, so that my personal views and experiences do not create a cloud around the descriptions of the phenomenon itself. I have continuously 'turned a few steps back' to reflect upon the choices I have made throughout the research process. I questioned my assumptions and pre-existing beliefs in the light of the new evidence that I had found during the research, and applied critical thinking to the impact of the presuppositions in the research process, findings and conclusion. I describe later in this chapter in as much detail as possible, how I used self-reflection when the empirical materials were being generated and continuously processed by analysing and interpreting throughout the research endeavour. In addition, I will also explain how several attempts were made to write this thesis through sorting out and organising the materials and by learning from this research experience.

My interest was to explore something new, provide a new perspective, or a different way of understanding sustainable supply chain management (SSCM), which I could share and discuss in spoken and written form with the research community who are interested in sustainable

supply chain governance mechanisms, multi-stakeholder initiatives, and socially sustainable sourcing. The ready-made garment industry in the developing country context provided rich empirical material and through the light of existing literature I could create questions, select focus, give perspectives and conduct a “phenomenon-driven research” (Schwartz and Stensaker, 2014). This constituted the starting of the research process, therefore, before presenting the fieldwork I dig into the concept “phenomenon-driven” and “case study” approach used in this research.

4.1.3. The phenomenon-driven research

As mentioned in previous chapters this research has explored the sustainable supply chain governance phenomenon to understand how to improve social sustainability. In the course of my inquiries, my starting point was Jürgen Habermas discourse ethics and deliberative democracy (Habermas, 1992; 1996) that could not account for what had occurred in the field. I had trouble understanding and explaining the situation. I needed some context-bounded theories and tools to make sense of the situation. I continued to read and came across some interesting articles in the field of sustainable supply chain management (Sancha et al., 2016a; Walker et al., 2015; Touboulie and Walker, 2015; Yawar and Seuring, 2015; Pagell and Shevchenko, 2014; Pullman et al., 2009; Carter and Rogers, 2008; Seuring and Müller, 2008) and political CSR theory (Scherer and Palazzo, 2007; 2011). Later, influenced by ideas from these articles and theories I changed the research plan. I generated interpretations of the field materials that lead to developing new understandings which can create a challenging discussion of existing theories of sustainable supply chain management. In the field of SSCM, the range of phenomenon I want to understand include, how the sustainable supply chain governance mechanisms are applied, what the challenges for social sustainability improvement are, how these challenges are being tackled, how the codes and standards for the suppliers are implemented, and who the stakeholders involved in the governance are.

Doh (2015) describes phenomenon-based research as basically to “accurately and insightfully inform a real-world phenomenon or phenomena” (p. 609). In phenomenon-driven research (PDR) based on interpretive epistemological approach, researchers identify, capture, document and conceptualise the phenomenon of interest in order to facilitate knowledge creation and advancement within a field of study (Schwartz and Stensaker, 2014, p.480). Moreover, PDR constitutes an exploratory research approach, starting with a broad interest or question related

to a contemporary or real-world phenomenon that can help to create new understanding of unknown social situation (Doh, 2015; Schwartz and Stensaker, 2014). Similarly, when I started this research to explore the real-world situation in the ready-made garment industry of Bangladesh, I had an open question in mind, that is why the workers are dying. LaPlace et al. (2018) argue that methods have limitations. One limitation of PDR is that it creates knowledge that make only a marginal contribution to an area that is focused on a particular context. I adhere to the notion that social actions must be interpreted in their context. For instance, Chen et al. (2017) argue that PDR is required to study the issues and challenges that today's China is facing, as rather than testing existing theories PDR can enhance understanding of the world.

In addition, Schwartz and Stensaker (2014) suggest that PDR is suitable when the research has exploratory purposes and they assume that it offers a way to understand how people with diverse perspectives interact. The research in supply chain management has reached an interesting phase, the domain is prospering and continues to grow and here phenomenon type studies have complemented the positivist approach (Quarshie et al., 2016). The reason I have chosen a phenomenon-driven research approach to study supply chain governance for social sustainability is mainly that, this is a way to advance our knowledge about social sustainability by focusing on what is happening in the ready-made garment industry after the Rana Plaza event, and whether or not there have been new trends and transformations in supply chain governance. After revisiting the existing SSCM literature and exploring the research phenomenon, this research was carried out to contribute to a new perspective of governance for social sustainability. PDR encourages different research methods as the development of research designs helps to appropriate theorising (Chen et al., 2017). Following this argument, undertaking a case study research approach seemed appropriate to reaching interesting findings, which I explain in the next section.

4.1.4. The evolving case

The interaction between phenomenon and its context is better understood through in-depth case studies (Dubois and Gadde, 2002). There are no ready-made ways to construct social phenomenon. I progressively constructed the research context based on the theoretical ideas and drew the boundaries of the phenomenon under investigation. After that, the 'case' studied in this research evolved based on empirical evidence and I was able to demonstrate the theoretical significance. There is no single answer to the question 'what is a case' and there are

a multitude of answers based on the diverse research methodology across disciplines (Dubois and Gibbert, 2010; Ragin, 1992). A conventional answer to this question is that “boundaries around places and time periods define cases” (Ragin, 1992, p.5). However, rigid preconceptions about a case can be counterproductive as they can hamper conceptual development (Ragin, 2000). I did not know what would be the case in this research, when I started out the research and during the course of collecting the empirical materials until the research was completed.

There are different traditions to case research. From realist’s objectivist view the cases are considered to be the objects ‘out there’ waiting for social scientist to empirically discover, whereas, from the subjective view, cases are theoretical constructs that serve the interests of the investigator convention (Ragin, 1992). Eisenhardt (1989) and Yin (2009) present a view of case research that is positivistic. According to Eisenhardt (1989), case study is recommended in fields which are still in need of exploration. Yin (2009) indicates that this method enables the researcher to fully explore and conduct in-depth investigations of complex phenomenon in a specific real-life setting, where the boundaries between context and phenomenon tend to be blurred. Case study allows a researcher to dig into a specific situation and provide details which are much richer than that can be acquired from a quantitative study (ibid). Case study is a preferable research method when the research objectives are sought to answer “how” and “why” questions, since the case study offers insights into the nature of the phenomenon rather than identifying the frequency of the occurrence of the incidents (ibid). One single case design with several embedded sub-cases strengthens the study (ibid). On the other hand, based on a critical realist approach, case study is “a research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources and developing a holistic description through an iterative research process” (Easton, 2010, p.119).

In the recent past, a number of single in-depth case-based studies have been published to explain sustainable supply chain management (see e.g. Airike et al., 2016; Diabat et al., 2014; Huq et al., 2014a,b; Adebajo et al., 2013). There are also a large number of comparative or non-comparative case studies have been identified in SSCM literature (see e.g. Winter and Lasch, 2016; Huq et al., 2016; Rodríguez et al., 2016a;2016b; Formentini and Taticchi, 2016; Thornton et al., 2013; Pagell and Wu, 2009). However, most of these writers tend to refer to the most popular sources, notably, Eisenhardt (1989) and Yin (2009) to motivate case studies as their preferred methods. On the other hand, Dubois and Gadde (2002) suggest that case study

can be both ‘tool’ and a ‘product’ (p.558), where the tool is the empirical work to add the pieces of data to the case and the product is the outcome of the final case which cannot be planned in advance. The starting point for conducting this research is real ‘social-world’ domain, where the issues being investigated are contemporary and critical, as mentioned earlier. My primary intention was to reveal whether or not the corporations are ensuring occupational safety and health for the garment workers as an after effect of the tragic Rana Plaza disaster. In the developing country context, corporations need to be involved in sustainable practices which are not only based on legal obligation but also on responsibility towards the stakeholders who are directly or indirectly affected by their actions. This is something that is argued by a number of different researchers (Mena and Palazzo, 2012; Crane and Matten, 2007; Carroll and Buchholtz, 2006; Reed, 2002; Freeman, 1984). This research is based on the context of a developing country where the governmental enforcement of rules and regulation is weak, and governmental capacity for providing basic needs, such as healthcare, education, utility, is low. An exploratory case study is needed in this research context as there are a number of social sustainability challenges, because of the weak governance. This makes case study an appropriate choice, since it allows asking questions to get insight into the sustainability issues and problems. For instance, how and to what extent the challenges can be overcome to improve social sustainability, these questions are exploratory in nature and not comprehensively researched. The social sustainability of the ready-made garment industry in Bangladesh evolved as one single case with embedded subcases, because the industry has complex configurations of events and structures situated in a temporal context. Focusing on a single industry allows us to see the differences in practices within the industry to highlight whether the phenomenon exist in certain conditions but not in others.

In addition, Pullman et al. (2009) suggest that research on sustainability practices may not easily generalise across industries and industry specific research on sustainability management brings more practical and clear findings. In supply chain management studying only one half of the dyad and asking them about their perception of the other party cannot give a better understanding, and therefore, it is important to investigate both sides of the dyad (LaPlace et al., 2018). SSCM has emerged from the supply chain management tradition. SCM research, by definition, requires a cross-organisational perspective. However, the vast majority of the empirical research often explicitly uses data from the perspective of only one side of the supply chain relationship, that is either the buyers or suppliers (Roh et al., 2013). SSCM is an expanding area of research which is gaining maturity (Touboulic and Walker, 2015), therefore,

Walker et al. (2015) identify the need to explore SSCM research beyond buyer-supplier dyads. In qualitative analysis, the participation of a broad spectrum of heterogeneous people with regards to their roles at multiple levels is needed to capture the variety of perceptions and meanings involved in the case (Yin, 2009).

This study endorses exploring the four embedded cases based on supply chain actors, that is (i) corporations as global actors, (ii) suppliers and factory workers as local actors, (iii) NGOs as local actors, and (iv) the Accord and the Alliance as global-local mixed actors (see description in chapter 5 section 5.1), within the case of the Bangladeshi RMG industry after the Rana Plaza tragedy. The embedded subcases are connected within a network of relationships between actors. They contribute by providing variations under the umbrella of the single case. These subcases have been selected based on ‘purposeful sampling’ (Patton, 2002). From this, in-depth understanding and insights can be gleaned to achieve research aims by analysing their shared context and differences, instead of by creating empirical generalisations. The aim is not to compare these embedded subcases but to exemplify the particular outcome of interest (Voss, 2008), since the goal of case study is to explain the reasons for particular outcomes. Studying embedded subcases can create possibilities for guarding against observer bias and aid triangulation (Yin, 2009). In addition, for hermeneutic phenomenology research, purposive sampling is suggested by several authors (Friesen et al., 2012; van Manen, 1997; Patton, 2002) in order to select information-rich cases for detailed study.

More generally analysis of the ready-made garment industry, is about the patterns of governance mechanisms for improving social sustainability. The case is deeply context dependent. Therefore, the contextual understanding of the research phenomenon contributes to a context-bounded conceptualisation that helps to create meaning and significance through matching existing literature and the empirics, and thus generating new theoretical understanding. The three dimensions of this research phenomenon, case and context are presented in figure 4.1.

Figure 4.1 Three dimensions of this research

A weakness of case study research is that it gives limited possibility of generalisation of research findings (Piekkari et al., 2010). However, research is not about the possibility of broad generalisation from one study, reasonably it is more often about adding incrementally to the provisional knowledge in the field of study (Dubois and Araujo, 2007). “Generalising from case studies is an analytical process” (Dubois and Araujo, 2007, p.177) as the general case research inquiry relies on finding causal relationships within the case elements rather than measuring and comparing the attributes of the case variables. The SSCM field is evolving and this research being exploratory, rich understanding about the research phenomenon is obtained to generate theoretical generalisation out of the empirical data.

In addition, Easton (1995) identifies three common mistakes of case study research. One, researchers describe everything and expect that readers themselves will come to the conclusion simply from the rich description of events provided. Two, examples of data (used in a quasi-deductive theory testing) provide only partial support to theories or frameworks, and three, pseudo observers’ claim of statistical generalisation from multiple case studies (p.379). Dubois and Gadde (2002) suggest that a stronger reliance on theories could help to reduce the inaccuracies, as theories give intellectual control and explanatory power over the case descriptions. Later in this chapter, I will explain the ‘role of the theories’ in this research (in section 4.3.1). The first mistake occurred in an earlier version of this research where I provided everything from the empirical materials and left the conclusions to be drawn by the readers.

This mistake was corrected by writing several versions of the thesis, and I will discuss more about this in the last part of this chapter (in section 4.3.3).

Researchers reflect on these mistakes and use case studies in many varieties which is underpinned by heterogeneous theoretical and epistemological premises, such as theory testing, theory generation and theory elaboration (Ketokivi and Choi, 2014), because case study is considered to provide observational richness. Case study is a unique method, as it is not a linear process of theorising from empirics like other research methods (e.g. described by Yin, 2009), rather this requires the flexible, integrated approach of an abductive process (e.g. note by Ragin, 1992) (Dubois and Gadde, 2002). An abductive approach is fruitful when the researcher's objective is development of a theoretical model as opposed to confirmation of existing theory (Dubois and Gadde, 2002). The theory development in the case research involves a process of 'systematic combining' between theory and empirics (Dubois and Gadde, 2002).

An open case study helps to generate rich empirical materials. By mixing existing literature with those materials I could create questions, set a perspective and write this thesis. During the research process, several case descriptions were written, by going 'back and forth' from empirical observation to theory in order to explain understanding of both theoretical framework, empirical fieldwork and case analysis for development of new concepts. I explored and investigated the pieces of the case, and after that, analysed the data inductively and matched the inductive themes with the themes drawn from the SSCM literature to propose a conceptual framework. My intention is to make a conceptual contribution by using the case as justification for the theoretical argument. To develop the conceptual framework, I present the empirical material by describing the case events in its wider context. The framework captured the nature of 'what does happen' rather than suggested normative statements about 'what ought to happen' (Llewelyn, 1992). In this research, propositions provide expectations about 'what can happen' based on the observation and analysis of 'what has happened' (Llewelyn, 1992, p.20).

Qualitative research begins with a few orienting concepts and cases rather than start with samples drawn from pre-constituted populations (Ragin, 2000). Cases also have fuzzy boundaries where the concepts may have case-specific meanings and the case can transform as the research process unfolds (Dubois and Araujo, 2007). In a qualitative study, different aspects of a case are understood in relation to one another by configuring to create a coherent whole, rather than modular assembling of the empirical data (Dubois and Araujo, 2007, p.174). Data

in this research was collected by multiple qualitative research techniques, such as interviews, document reading, factory visits, and picture taking. The case was evolved by adding pieces of data. In the beginning, the difficulty was fitting the pieces in a jigsaw puzzle, as many pieces tend to show up. Therefore, I had to make choices during the research process to concentrate on the pieces which can give a pattern by leaving the confusing pieces behind. While doing so, I wrote the case descriptions a number of times. This helped sorting out the absolutely essential parts from the unfit ones to make the final jigsaw puzzle.

4.2. The fieldwork

Fieldwork is the process of generating empirical materials through interpretation rather than objectively gathering data. It is very much a construction process with maintained neutrality and transparency (Alvesson and Kärreman, 2011). The fieldwork was carried out from August to December in 2016. This part of the chapter has three main subheadings. In ‘entering the field’ (section 4.2.1), I will explain the sampling procedure and negotiation of access to the participants. I will also describe how I have gathered empirical material (section 4.2.2) through different techniques and strategies. After that, I will discuss my participation in the academic conferences where I have presented the preliminary findings of the research (in section 4.2.3).

4.2.1. Entering the field

The first step in the empirical material generation was scanning newspaper articles and reports to create a selection criterion for the *first embedded case* that are the MNCs. It was important to choose from the MNCs (clothing brands and retailers) for investigation as most of them are often confronted with social problems, such as child labour in their suppliers’ sites. The following six selection criteria were used to identify the MNCs who seem to declare interest for sustainable practices in the public domain. The predetermined criteria are:

- (i) Brands and retailers who have a responsible sourcing office, also known as liaison office, in Bangladesh and responsible sourcing managers. Brands who do not have subsidiary office yet, are excluded from the research, as they are doing business by the help of intermediaries.
- (ii) Brands and retailers who have sourced from a number of different factories in Bangladesh.

- (iii) Brands and retailers who are the Accord or the Alliance signatory. These are the multi-stakeholder organisations formed to ensure workplace safety as a result of the Rana Plaza tragedy.
- (iv) Brands and retailers who have declared codes of conduct for their suppliers.
- (v) Brands and retailers who have declared ethical values and published sustainability reports.
- (vi) Possibility of access to any of the ethical/responsible sourcing team members of the brands and retailers from the subsidiary office in Bangladesh.

In my case study research, my sampling choice of the participants was influenced by the following aspects: first, I needed to have access to the participants to be able to collect data (Patton, 2002). Second, the participants hold appropriate job positions to answer the interview questions (ibid), and third, there were a sufficient number of participants who can provide adequate data (Saunders, 2012). Performing primary investigation of the brands and retailers' official websites helped the purposeful sampling of the MNCs (see table 4.2).

Table 4.2 Sampling of the brands and retailers

Brands and retailers	Number of responsible sourcing staff	Number of factories in Bangladesh	Member of Accord/Alliance
MNC1	4	250	Alliance
MNC2	No data	Did not publish the list of factories as they think this information is commercially sensitive.	Accord
MNC3	3	120	Accord
MNC4	2	69	Accord
MNC5	5	52	Alliance
MNC6	7	265	Accord
MNC7	2	60	Accord
MNC8	2	38	Alliance

Instead of collecting data that is only convenient or easily accessible, a “purposeful sampling” technique was applied according to predetermined criteria (mentioned above) relevant to a particular research objective (Patton, 2002). For this study, I needed voluntary participants who I could approach by using “snowballing” sampling technique, as this method is used to find desired samples who are easily identifiable, but difficult to access (Saunders et al., 2015). Several gatekeepers were working as bridges between the intended participants and me, therefore, “convenient sampling” was also used when the access was very difficult (Saunders

et al., 2012, p.282). I could define the sample size after collecting data from different interviewees within an interconnected network of actors (see table 4.3). In total my study encompasses eight Europe based and USA based MNCs (retailers and apparel/fashion brands) sourcing from Bangladesh and their sixteen direct sourcing (tier-one) suppliers, the Accord and the Alliance (two multi-stakeholders organisations), eight NGOs, and a few workers.

Table 4.3 Embedded cases of the MNCs, the RMGs, the Accord and Alliance, and the NGOs

MNCs	RMGs	Accord and Alliance	NGOs
MNC1	RMG1, RMG2, RMG3, RMG15, RMG16	Alliance	NGO1, NGO2, NGO4
MNC2	RMG1, RMG3, RMG4, RMG5, RMG11, RMG13, RMG15	Accord	NGO1 (proposal stage), NGO3, NGO4, NGO5
MNC3	RMG5, RMG6, RMG8, RMG9, RMG15, RMG16	Accord	NGO4, NGO5
MNC4	RMG6, RMG8, RMG14, RMG15	Accord	NGO1, NGO2, NGO3
MNC5	RMG2, RMG14, RMG15	Alliance	NGO1, NGO2, NGO4
MNC6	RMG1, RMG2, RMG3, RMG7, RMG9, RMG12, RMG13, RMG15, RMG16	Accord	NGO6
MNC7	RMG10, RMG11, RMG14, RMG15	Accord	NGO2, NGO4
MNC8	RMG4, RMG6, RMG7, RMG15	Alliance	NGO2

When the MNCs' sampling was done, I started searching for ways to contact the 'responsible sourcing managers' of the brands and retailers. I discussed my research interest with family and friends. The response from the people was that they recognise the problem (challenges of the ready-made garment industry) and think that this is an important issue for research, so they became interested in searching within their network to find if they knew anyone working in the MNCs according to my sample criteria. In the responsible sourcing division of the MNCs, the team members can be 2-7 people depending on the policy of the global head office of the brand. I met the first MNC's (among eight) responsible sourcing manager through a friend and after that the rest of the MNC-staff were reached through snowballing. The remarkable thing is, responsible sourcing managers of different MNCs belonged to one network, they know each other as they are either friends, ex-colleagues, or acquaintances. I met with most of them in their brands' subsidiary office, and the rest of them I met with in a more private setting. However, they could not facilitate my access to visit their suppliers' factories.

The number of suppliers of different MNCs varies. I had to find the names from the list of the tier-one suppliers, which is the *second embedded case*, that the MNCs published on their official web pages. The sampling of the factories was based on several criteria. Factories were tier-one or direct suppliers to the sample brands and retailers. They were listed with Accord and/or Alliance. Factories were varied on size based on number of workers, and they produced varieties of different materials, such as knit, woven and sweater. I negotiated access to the tier-one suppliers of my sample MNCs through my personal contacts. Due to the MNCs' requirements, many suppliers accommodate a compliance team with their human resources and administration department. The 'compliance manager' post was created in the factories after the Rana Plaza tragedy in 2013. Unlike the responsible sourcing manager of the MNCs, the compliance managers of different garment factories do not necessarily belong to the same network. Therefore, I had to make individual contact with each of them based on convenience.

My visits typically involved sitting and talking with compliance managers in their factories, walking around though a few had restricted my access, and if they allowed taking pictures in the factory compounds, which were all outside of Dhaka (capital of Bangladesh). Though the distance from Dhaka to different factory-locations was not very far, the excessive traffic and poor road conditions made my journey longer than expected (appendix 4.13 picture 2). Despite the distance and difficulties to access the compliance managers as access to many of the factories was denied, I visited sixteen factories. I had access to some of the owners and executives through personal contacts as well. Instead of approaching the workers inside the factories, I contacted the workers through a trade unionist who took me to the workers' homes, so that they could be at ease while talking.

The Accord and the Alliance together was the *third embedded case*. The Europe-based brands are members of the multi-stakeholder organisation the 'Accord' and the USA based ones are members of the 'Alliance' since 2014. The Accord and the Alliance executives who could enlighten me about their governance mechanisms were approached. In addition, after interacting with the garment workers and the MNCs and RMGs representatives, I discovered that local NGOs, which is the *fourth embedded case*. These NGOs play a prominent role in social sustainability. Each MNC was asked to recommend NGO representatives that they are connected with. Same as the MNC managers, the NGO executives are also known to each other, which made it comparatively easier for me to reach them.

Being a Bangladeshi with no language barrier, I believed that I would have an easy access to information with the help of my networks. My friends and family contributed as gatekeepers to get access, but the respondents were not directly from the network of my friends or family. I met the respondents for the very first time during my fieldwork. It was hard to negotiate access in the field. Sometimes, after hours of travelling, I was in the end not allowed to enter the factories, even though we had a set appointment. Some prospective interviewees declined my requests. It was difficult to conduct inquiries regarding compliance issues or workplace safety in a politically unstable country like Bangladesh. Information is generally not easily accessible to researchers as it is considered confidential and kept behind closed doors. Overall, using different types of sampling, such as purposeful, convenient and snowballing, this research was rather a continuous process than being a separate task, resulting in the present sample on which data collection is based (Dubois and Gadde, 2002). Sampling and collecting empirical materials were overlapping and interwoven tasks with mutual impact (Brito, 1999, p.94). Collecting empirical materials is discussed next.

4.2.2. Collecting empirical materials

In qualitative research, empirical materials are the data collected from primary and/or secondary sources generated through the interpretative acts of the researchers, whereas data is the information about something we obtain through different techniques (interviews, observation, etc.) that can help to present trustworthy findings (Dubois and Gadde, 2002). Hermeneutic phenomenology research requires data collection from multiple sources by using multiple tools that include interview, observation and analysing text (van Manen, 1997). Moreover, according to Yin (2009), collecting data from multiple sources of information is strongly recommended for case study research, as it allows the investigator to achieve research objectives after adequate data analysis and to draw convincing conclusion. In this research, data were collected from mixed sources, such as semi-structure interviews, informal talks, pictures taken where permitted, and observation notes during site visits. Sources also include writing diaries, and reading of documents, such as supplier assessments reports, information from the organisations' websites, home pages, the MNCs' published codes of conduct and sustainability reports. Combining sources of data denotes triangulation, which help to develop convincing line of inquiries (Yin, 2009). Multiple data sources not only contribute to triangulation, but also help in revealing unknown aspects particular to this research (i.e. social issues, structural safety

issues, and workers' vulnerability and community specific problems - the three types of social sustainability challenges).

Interviews

Interviews are one of the most important sources of case study research (Yin, 2009). In hermeneutical phenomenological research, the number of participants necessary for interview may vary depending on the nature of the study and the data collected along the way (Laverty, 2003). Moreover, the researcher may continue to engage in interviews with participants until a point of saturation is reached (van Manen, 1997). The primary mode of data collection was face-to-face semi-structured interviews. Interview procedure can be described in 'when, where, who, what and how' forms.

When and where: Interviews lasted between 30 minutes to 2 hours. Depending on the availability of the respondents, the interviews were conducted during the day, lunch time, or even after office-hours. Interviews took place at their offices (majority times), and sometimes at restaurant, coffee shops, residences, and conferences.

Who: I wanted to interview as many people as I could. In the end, I did 52 interview sessions with different kinds of participants (see table 4.4) and the detail descriptions of the interviewees are provided in Appendix (4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8).

Table 4.4 List of the participants

Different clusters of stakeholders'	No. of organisations approached	No. of participants
Brands and retailers [responsible sourcing related employees]	8	10
The Accord/Alliance [structural safety related employees]	2	3
Ready-Made Garment Factories [owners and compliance related employees]	17	16
Suppliers factory executives	3	3
Welfare officer in the garment factory	1	1
International trade unions	2	2
Non-Government Organisations (NGOs)	8	8
Donor organisations	2	2
Intermediaries	2	2
Garment Workers	3	5
Other Informants	5	
Total		52

What: I did not have a precise interview guideline with exact interview questions to be asked, as the participants belonged to heterogeneous groups. I had a few points or a checklist of what I wanted to discuss with the participants, to ensure that I had discussed similar topics with all the interviewees from the similar homogeneous cluster. The points were based on a simple idea that is to ask one cluster of participants about themselves and the other clusters. For example, asking the MNC representatives about their interests/feelings for improving sustainability and their opinions or expectations from the RMGs, NGOs, the Accord or Alliance.

How: explaining ‘how’ in a straight forward manner is a little complicated, as the interview did not happen in a linear way. After setting appointments, building trust, asking consent I had to apply different strategies and techniques to interview participants and this is discussed next.

Before the interviews, I established telephone contact, where I explained my research interest and asked to get an appointment based on the participants’ convenient time and place. However, for some interviews, the time was changed and sometimes also cancelled. Nevertheless, most of the time I had to wait 10-40 minutes to reach the expected respondent, since they work under intense pressure with limited time. While waiting for the meeting, I could observe and make myself comfortable with the unfamiliar place. In some places, I was well received and welcomed, and in other places, building trust was initially difficult (mainly in the factories). While conducting interviews, I dealt with several kinds of situations with obstacles because of my gender identity¹⁰. Generally, I tried to start the conversation with a handshake if considered appropriate. In some situations, it was without a handshake, depending on the person and environment of the interview. I introduced myself with my educational background, as it was important for the respondents to know that I was not there as a journalist with a secret mission to investigate their work and disgrace them in public. I had to invest time and effort and negotiate continuously to gain the respondent’s confidence and trust. In order to gain trust, I had to disclose personal information, for example, my marital status, whether I have children or not, and my family members’ background, upon their demands. I wanted them to understand that I was there as a student with academic interest to learn from them and not to harm them. I

¹⁰ One such situation occurred, where I was treated differently because of being a woman, when one day, I was sitting and waiting at the reception area in a factory for a respondent I had a prior appointment with. The doorman approached and asked me to sit modestly. I asked, “*What do you mean?*”, upon which he replied, “*Do not sit with your legs crossed*”. I felt like leaving that factory at once, but did not, as that particular factory was the supplier for many brands, and it was crucial for my research to explore their practices.

explained my purpose of the visit, emphasising that their participation was voluntary, their confidentiality would be protected, their organisation's anonymity would be kept, the information they were providing would not be used other than for educational purposes and lastly, I asked for their explicit consent for participation.

The respondents did not want to give written consent. In Bangladesh, people do not generally provide a signature to someone who does not hold any authority. Due to the fear of signature forgery, people do not want to sign a 'consent' form. Instead, the conventional practice is to exchange a business card before or after an official meeting. People holding an appropriate position in their workplace usually have a 'business card' with their name, address, designation of work, company they work for, phone numbers, email address printed on it. The interviewees provided me their 'business cards' and within the social code it is to be interpreted as explicit consent. The exception was with front line workers, who do not hold a business card of their own, so, they have given verbal consent.

In addition, interviewing in hermeneutic phenomenological research is suggested to employ certain ways of asking questions, by setting up 'probes' that can guide the conversation (Friesen et al., 2012, p.49); in other words, questions that do not have academic jargons and can lead the interviewer to switch from vocabulary of intellect to the feeling and impression. For instance, instead of asking "What do you do?" the researcher or interviewer should ask, "How do you do it?" and "How do you think or feel about it?" Focusing on feelings and responses in the questions helps the interviewee to be more oriented and open. Other researchers suggest that one should not enter the field with precise questions as a researcher should expect to be surprised by the empirical material, therefore, one should discover questions in the field (Alvesson and Kärreman, 2011). I did not want to have a narrow focus by defining something in advance, therefore, the interview questions are vaguely defined to discover whatever the interviewees had to offer.

I had an open mind with an interest to grasp who the actors were, who worked with whom, where they interact, how they work together, why things are the way they are, and what was going on. I wanted to learn about their work, their similarities and differences, their reflections about themselves and perceptions about one another. During the time I spent with them, I observed their manner of talking about other people. I noticed that people emphasised or repeated something when they considered it crucial. They spoke in very low intensity or did

not want to give answers when something was deemed critical. Later in the research process, the study was delimited with selected themes and perspectives.

Several strategies were applied during the data collection process. Most of them emerged in response to what was needed and some of them were thought out. I used different interview strategies to see things from different perspectives. It gave me intensive experience and enhanced my understanding. The strategies included “respondents as masters and me as an apprentice”, “ice-breaking”, “walk and talk”, “laddering technique”, “confusions and paraphrase”, “enthusiastic story-teller respondents”, “writing down some points to ask afterwards”, “could not use the recorder”, “translate”, and “write and write”.

Respondents as masters and me as an apprentice

During the first few interviews with the MNCs’ responsible sourcing managers, I felt that I knew nothing about what was going on in the “real world” related to the ‘responsible sourcing’, ‘compliance procedure’ or ‘sustainability governance’. So, I felt that I should bear the frustration and let them talk without asking too many “stupid” questions. Some interviews with the MNCs’ responsible sourcing managers were conducted in coffee shops or restaurants where I got accepted quickly by listening to people attentively. During the first few interviews, I acted ‘as an apprentice’ to learn more, when some of the respondents were very kind to act ‘as masters’ by elaborately explaining things, even drawing diagrams, writing bullet points in my note books, to make things clear for me. I had started to understand the terminology, and ultimately had interesting conversations in the following interviews with other responsible sourcing managers in more formal situations. I intended to ask the responsible sourcing managers of the MNCs about their supplier selection, evaluation, sourcing challenges and related training and development programmes; about the extent to which they were involved in the formation of the Accord and the Alliance; and about their involvement with local NGOs. The interviews were not a question-answer session, but keeping some points were helpful in maintaining a flow in the discussion.

Ice-breaking

There were a few times when I arrived in the factories during lunch break. In a few occasions, I was invited to join the owners or executives for lunch before starting the interview. During lunch, I had the chance for informal talks about myself and my research interest to let them know about me to gain their trust. I realised that it helped in ‘ice-breaking’ rather than simply

starting with the questions and answer session. Gradually, the conversations turned out to be more relaxed and comfortable. As a result, after the lunch, we could have a semi-structured informative discussion to learn about their opinions, challenges and work processes of the Accord or the Alliance in their premises and interactions with the MNCs for compliance related issues.

Walk and talk

When the factory representatives realised that I was genuinely a curious student interested only in their work, they allowed me to visit their production units. In most of the interviews with factory compliance managers, the most fruitful time was during the end of the interview. In some cases, when I would take a walk inside the factory's production area, the factory compliance managers would accompany me and that was the time when the conversation became fluent and open for discussion. During that time, the factory compliance managers would express their frustrations about repetitive auditing, pressures from the buyers, and pros and cons of the Accord or the Alliance presence in the industry. The compliance managers would also show me their progress in safety equipment, for example, new fire doors, fire extinguisher, first aid boxes, with excitement. Some of them even took me to the roof to show flowers and plants.

Laddering technique

With the Accord and the Alliance executives, I used some sort of laddering technique, meaning, I asked about some basic information, which included their job title, educational background, time-span of working in the field, reason to choose their current profession, their likes and dislikes regarding their work and so on. This laddering technique made the respondents feel at ease and encouraged them to slowly open-up. This process gradually led to a discussion rather than starting a question-answer session. I tried not to interrupt the flow and influence the discussion. However, I drove the conversation a little bit to learn about the background story of the formation of the Accord and Alliance, why they needed two different organisations, their challenges, work processes and practices for fire, building and electrical safety in the garment factories.

Meeting respondents in conferences

I attended a conference on the 'Sustainable Sourcing in the Garment Sector (SSGS)' held at Radisson Hotel in Dhaka, Bangladesh on 29 September 2016. The participants in that

conference were the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) member garment factory owners and the executives of the brands and retailers. I had an informal conversation with the head of the directors of BGMEA for about half an hour, but I did not want to take up too much of his time by pumping questions. I learned a lot by listening to their conversations and their speeches. I also participated in a conference organised by the Bangladesh Forum Germany on ‘Reflecting the past – forging the future: Democracy and human rights in Bangladesh’s changing social landscape’, in Berlin, on 06 to 07 November 2014. In that conference, I interviewed international trade union executives and I mainly asked them about their roles in the sustainability governance of the RMG industry in Bangladesh.

Confusions and paraphrase

I have interviewed factory workers who did not have any understanding of what research is. Firstly, they thought I am a representative of the multinational brands. I explained to them over and over that I am not. I asked them questions to learn about their working condition, health and safety, training, knowledge about worker rights and work welfare situation. Because of the ‘confusions’, I ‘paraphrased’ and repeatedly made sure that I understood their point of view. Then, they thought I was a journalist. I would write about their situation in the newspapers, so that they can get a salary increase. Then I had to explain in the ‘easiest’ possible way. I told them that I was going to write a ‘book’ (as they do not know what a PhD thesis is, and in a way, I am writing a monograph, which can be considered a book) about the ready-made garment industry in Bangladesh, of which they are a part. Then they asked about the kinds of benefit they would get if I write a book! They also asked, “*At-least write our names in your book*” to acknowledge their participation. I gratefully acknowledge and thank them for their participation as interviewees, but as a researcher, I must bear the responsibility of not revealing their identity.

Enthusiastic story-tellers

It is worth mentioning here that once trust was gained, I was able to have interactive discussions with the respondents. Several respondents showed their enthusiasm through investing their time and interest in talking. Another interesting task was to interview the NGO executives. Most of them were very communicative and told stories from the starting point of their NGOs, their visions for future and about their current projects with the MNCs for the workers development. They were asking me over and over to write in my thesis about all the stories they have told me.

Sometimes due to time constraint, I had to rush from one interview to another. Sometimes, I had more than one interview within one day and tried to combine the interviews within the closest proximity. As I gained more understanding of the work relationships of different people from different organisations, I could ask more ‘intelligent’ questions. Some people had barely anything to say while others had a lot to share. Some people offered information that was more exciting than I had expected. The metaphors different participants used caught my attention. For example, someone from one of the MNCs said, *“I am the sun, I am the middle point of the all communication between brand and the factory”*. This prompted me to know more about their interactions and I asked to elaborate how the MNCs and suppliers work together for social sustainability. Another interviewee said, *“When we call in the factory for coordinating an audit or inviting them for training, they address us as ‘madam’”*, I understood that the MNC staff wanted to show that they were in a power position over the suppliers. Someone from the factory explained, *“All the factories have issues related to payment of overtime and I don’t want to talk about it.”* I interpreted it as one of the social sustainability problems and started my exploration from there to learn the root cause of these kinds of problems. When the brand manager said about the factory representative, *“I have to step in and call and push them to pay their dues to the third-party audit firms”*, it pointed to a problem that made me curious to dig deeper. Or, the comment from the Accord representative, *“We learned by doing step by step”* seemed interesting as well in understanding how their organisation worked. I was surprised to hear from a worker *“Life and death are under the absolute control of God (Hayat Mout Allahr Haatey). I don’t care about safety or anything else. I just want my salary increase.”* That constituted a trigger point for further investigation of why they feel this way. The MNCs *“need to have NGOs on board”* made me wonder why, and whether this was a new phenomenon or not, and if it was, then how so. These kinds of comments induced further questions. Sometimes, if the respondents did not want to elaborate on an issue, or if it was deemed to be an irrelevant issue, then I just dropped.

Writing down some points to ask afterwards

After a few interviews, questions kept popping up in my head all the time. I wrote them down. During the first few interviews, I used to write down the things that I thought I understood. But in later interviews, I would realize that I had a lot more to learn in order to have a clear understanding of those concepts. I did not have to ask all the questions during the interviews. Many of the confusions and questions were answered in some way or another as my learning progressed. However, if important issues remained unclear or unanswered, I

would ask the respondents at appropriate occasions while revisiting them, or via telephone or social media.

Could not use the recorder

I could not record as many interviews as I would have wanted. Every once in a while, permission for audio recording was denied, but taking notes was allowed. To be precise, among 52 interviews, 24 denied permission for recording and most of them were factory compliance managers and responsible sourcing managers of the MNCs. I did not use the recorder for the informal conversations during lunch or while talking at restaurants. I took handwritten notes in verbatim during the interviews where permission for recording was denied. People usually talk much faster than we can write, even though there were exceptions where a few of the interviewees talked at a slower pace than usual to allow me more time to write. I used shorthand technique while writing the interviews by hand, and later, the interviews were typed in full form in MS word. While some respondents (e.g. the Accord, Alliance and NGO executives, and the workers) did not mind recording, I still kept taking notes during the interview phase as I was used to doing it this way by that time. Hence, it was not necessary to transcribe the audio records of the interviews as the written notes were sufficient and 'neutral'. In addition, almost half of the interviews were not recorded, and I did not want to mix transcribed data with hand-written data for interviews. Therefore, I decided not to transcribe the audio recorded versions of the interviews. The hand-written interview notes contained the date, time, place, identity of the interviewees, along with shorthand notes of conversations and important things they said word by word, so that could be used as quotes. Later, I stapled the respondents' business cards (where applicable) with the pages of the notebooks containing the hand-written interview notes. In case I needed a clearer understanding of what the interviewees said or what I wrote as notes, I would go back to the recordings and listen to them. Recording and transcribing have some advantages, including allowing a more thorough examination of what is said, correcting natural limitations of memory and allowing the data to be reused (Bryman and Bell, 2011). However, it is unethical to keep the recorder on when the respondents explicitly show their discomfort. I, therefore, prioritised my ethics in research over recording data and never turned the recorder on when the participants did not give consent.

Translate

The interviews were conducted mostly in Bengali. As Bengali is the native language of most of the respondents, as well as mine, it was easier for us to communicate in that language. It is noteworthy that five of the interviewees were non-Bangladeshi and then we used English as the medium of conversation. However, most of the respondents (except the factory workers) were mixing Bengali with English. As I translated the data myself, I acknowledge the risk of losing some data during the process of translation. I faced difficulties related to the translation of idioms or proverbs that have socio-cultural meaning. For example, while explaining the ways of establishing suppliers' control over their workers that were practised in the past, one respondent stated a proverb: "*mairer upor oshudh nai*", the literal meaning of which is "beating is the best medicine". It sounds quite odd in English. So, I translated it as "*physical abuse was considered the best policy for discipline*". However, my advantage was that I have the socio-historical background of the language as a native speaker. At the same time, I tried to explain culturally embedded words and phrases as thoroughly as possible for maximum comprehension in order to retain the most accurate information possible.

Write and write

I like to write because I understand and learn better when I write. I kept written documents of all the interviews, interesting findings during my visits, things I have seen, questions I had, and everything that came to my mind. Instead of relying on short-term memory, I typed and translated the hand-written notes in MS Word after each interview. I continuously 'processed' the information from the texts gathered from the interviews and other sources, and worked actively on the understanding and interpretation of it by writing them down over and over.

Research diary

I kept research diaries (as a separate document as I did not want to mix my reflective thoughts with the interview notes) where I wrote things down whenever they came to my mind that included my experiences, thoughts, questions, ideas, and tentative interpretations. For me, taking those notes was necessary. I might have forgotten things if I had not written them down immediately. During the analysis, I tried not to influence the research with emotions, and I continued taking reflective notes. I tried to broaden my conceptual knowledge, explore new areas of research that I did not do before the data collection. The research diaries were used to

process information throughout the research process. I found some overlaps with other similar studies, and some interesting findings also emerged throughout this process.

Pictures and observation notes from factory visits

Pictures and observation notes during site visits contributed information that would not have otherwise appeared in the data. I voice recorded myself about my observations immediately after every factory visit and interview, as I wanted to capture everything with specific details. Observation notes helped to generate further interview questions, for example, “I have noticed that construction work is going on in your roof. Is this because of the structural safety requirement of the Accord?”. The pictures taken during site visits supported the observations and helped to portray the case with credibility (Bauer and Gaskell, 2000). I took pictures of the insides of the factories I visited permission from managers in order to portray the condition of the garment factories in Bangladesh (see Appendix 4.13). I took pictures of objects and when there were humans as subjects, I made sure that their faces remain unidentifiable. I also used a minimum number of pictures.

Documents reading

The documents I read were supplier assessment reports that are publicly available in the Accord-Alliance websites (see Appendix Table 4.11), information from home pages of the MNCs, the Accord and the Alliance, the suppliers and the NGOs websites, the published codes of conduct and sustainability or CSR reports of the MNCs which are available in their websites (see Appendix Table 4.10) and the Bangladesh Labour Law. I have studied supplementary documentations that covered 48 supplier assessments of different fire, electrical and building safety reports of factories, 16 ‘Corrective Action Plan’ reports of the factories listed with Accord or Alliance, and official web pages of Accord and Alliance. These documents enriched my knowledge and helped me to gain a clearer and deeper understanding of the data related to supplier structural safety issues that I had collected through interviews. I studied the MNCs’ published codes of conduct for suppliers to know the similarities and differences among them, and to find out how these codes of conduct were being implemented in reality. I also read ‘The Bangladesh Labour Act 2006’ to find out the extent to which the MNCs’ codes of conduct for suppliers reflect the national law. I read the sustainability or CSR reports of the MNCs to establish a triangulation among their claims, and their social development projects with the NGOs. The information from the MNCs, the Accord-Alliance, the NGOs and the

suppliers official home pages provided complementary information that increased the reliability of the data set. However, the documents could not be an alternative to the interviews, because the documents could not represent the 'real-world' situation. Therefore, interviews were conducted as informal talks can explicitly portrayed "humane" side of the situation.

While carrying out the interviews, I got to know my interviewees only for a few hours and sometimes for less than an hour. The respondents could have put on an image that might have been rather different from their 'real-selves' as people may try to create a good impression of themselves while interacting with someone they barely know. A combination of interviews and document reading was useful in identifying consistencies or inconsistencies between what was being claimed and what was happening in reality. Therefore, information gathered from the documents (organisations' official web pages, different reports and so on) were used to triangulate the interview data. There were a few cases where I had noticed inconsistencies between data sources. In those cases, I followed up with the respondents. As mentioned earlier, I kept contact with several respondents via email and social media (mostly through Facebook Messenger and Viber) until 2018. I formally and informally contacted the respondents if and when I needed additional data or required any clarification during the data analysis process.

Insights gained from an unanticipated data can remain in oblivion during active search, as appearance of unexpected data can be considered as discovery (Dubois and Gadde, 2002). Different interview strategies helped me to identify differences among the respondent's experiences and their viewpoints. The multiple data sources strengthened, complemented and contrasted each other and added new dimensions to the case, which led to a new perspective of the phenomenon and contributed to the development of the framework (Yin, 2009). I collected the data with a childlike curiosity, with ambitions to learn about the garment industry and different practices of different organisations within it, which may or may not contribute to social sustainability. In the eyes of the respondents, I was a 'stranger'. But as a researcher, I ought to consider different purposes, responsibilities and obligations that are associated with the researcher's ethical issues.

Research ethical concerns

I considered the respondents' safety first, meaning, I would safeguard their information, rights and interest from potential interest groups. As I have previously mentioned in this section, despite I did not have the exact research objective and questions at that point of time, I communicated my research intentions from a broader perspective to every respondent as clearly as possible before starting the conversation, so that, their participation could be voluntary. The respondents are the core of data source, and without them this thesis would not be possible. It is only fair that they too gain something from this research. It is my hope that the thesis itself can help the respondents to gain new insights and understanding about their roles and responsibilities. With this intention, I will make copies of the thesis available to every respondent. Lastly, based on the General Data Protection Regulation (GDPR) EU regulation 2016/679¹¹ concerning the protection of personal data, I am responsible to protect the integrity and confidentiality of the interviewees. In order to comply with that, in my written account I used code names instead of the real names to keep them anonymous. Based on GDPR (article 16)¹² I am responsible for 'rectification', meaning, the data subject should be able to exercise the right to ask me to remove their information any time they wish. Currently, I am saving the 'raw' data as in the 'interview hand-notes' and the 'business cards' of the interviewees holding their personal data in the safety locker at Linköping University, Sweden.

4.2.3. Presenting the findings in academic conferences

The processing of empirical materials started in the field and continued throughout the writing and re-writing of the thesis. In between the data collection and writing the final version of the thesis, I presented the preliminary research findings to other people in conferences during February 2017-March 2019 (see Appendix table 4.12). Oral presentations, discussions, and writing conference papers helped to organise my thinking, strengthened the research work, and pushed the research process forward.

¹¹ General Data Protection Regulation (GDPR) Available at: <https://www.eugdpr.org/article-summaries.html>

¹² GDPR, Article 16, Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32016R0679&from=EN>

4.3. The desk works

The research work hit some breaks due to changing to another university and my teaching work. However, during those periods I kept myself updated by reading new literature and identifying theoretical lenses to analyse the empirical materials. In this section of this chapter, I describe what role theory plays in this research (section 4.3.1), how the empirical materials have been continuously processed throughout the research endeavour (section 4.3.2), and lastly, the writing endeavour and reflections on the methods used in this research (section 4.3.3).

4.3.1. The role of the theory

Although the research did not start with a review of ‘received theory’ (Dubois and Gadde, 2002), the research area has been adjusted through interplay with theory as well as the learning from the field. Beside comprehensive understanding of the phenomenon and incorporated perspectives of different people, the concepts (sustainable supply chain management and governance) and the theories (transaction cost economics and stakeholder theory) are used to get new understanding of the phenomenon.

In phenomenon-driven research, even though a researcher does not necessarily contribute to the theory testing or elaboration, theory still plays an important role (Schwartz and Stensaker, 2014), as the meaning of data cannot be properly accessed without theory. Before discussing the role of theory in this research, I will refer to the general understanding of the meaning of ‘theory’. “Theory is a system of expressing interconnected ideas that condenses and organises knowledge about the social world” (Neumann, 2011, p.57). The general purpose of theory is to explain how and why some aspects of the social world work or do not work (Neumann, 2011). In business research, theory is defined as a set of systematically integrated concepts, definitions and propositions that help to explain the phenomenon under study (Cooper and Emory, 1994). Llewelyn (2003) identified five different ways of theorising the qualitative empirical study: metaphor, differentiation, context-bound theorising of settings, context-free ‘grand’ theorising and conceptualisation (p.663). “*Concepts* are the building blocks of theories” (Shoemaker et al., 2003). Concepts are also considered not only as part of theories, but also as the fundamental theoretical tools used in social science to both observe and represent the world in different ways as well as to act in different ways (Llewelyn, 2003). The concept

of sustainable supply chain management, for example, can be described both in a subjective sense of management for sustainability, as well as the structural aspect of the supply chain that sets up a system through which actors (e.g. buyers and suppliers) are connected.

Figure 4.2 Abductive research process

Constructionism treats theoretical insights and empirical observations in a ‘back-and-forth’ manner (Dubois and Gibbert, 2010). In my research, concepts, empirical materials and theories were used in an abductive way to grasp the meaning from the data and to develop the new framework gradually (see figure 4.2). I started with collecting empirical materials. The experience and learning from the field influenced the reading and reviewing of the academic articles. The literature reviews did not only indicate the ‘gaps’ in the existing literature, but also helped in problematisation and construction of research questions. It also provided understanding of similar-conflicting concepts and helped me question underlying assumptions. The theories constituted a source of inspiration during data analysis, helped me detect new findings and to create a conceptual framework. While doing so, data was not forced to fit with the pre-existent categories from the literature, rather the categories were first developed from the data. The theories encouraged me to interpret the data by matching common patterns and themes in systematic manners. I will return to this in the discussion of processing empirical materials (in section 4.3.2).

According to Alvesson and Kärreman (2011) inspiration from theories and concepts through critical discussion and problematisation in combination with empirical materials, stimulates creation of new concepts and justifies attempts to avoid “reinventing the wheel”. In an opposite manner, theoretical lenses provide ‘a way of seeing’ that also limits the ‘seeing’ in

two ways as described by Touboulic and Walker (2015). One, each theory is limited by its own scope (Astley and van de Ven, 1983; Pool and Van de Ven, 1989) and two, when data is used as evidence to support a theory, it obstructs the opening up of avenues to emerging new theory (van Maanen et al., 2007). A special theoretical lens used in SSCM research can shed light on certain dimensions and concepts at the expense of others (Touboulic and Walker, 2015). Nevertheless, the theoretical lenses give the researchers explanatory power and some intellectual control over the expanding set of case descriptions (Dubois and Gadde, 2002). The role of literature here is to avoid repetition of the same thing in the field and to find something that is worth building on for the advancement of current knowledge.

At the same time, the role of theory in this research is to provide lenses for explicating the phenomenon and by that contribute to the field of study. In particular, I argue that there is some room for studying social sustainability to understand governance mechanisms. The sustainable supply chain management and sustainable supply chain governance literature helped me to some extent to understand the socially sustainable supply chain governance in the studied case. However, it could not assist in drawing conclusions from the empirical materials, which is why theoretical support was needed. Following figure 4.3 shows the illustration of the literature and theories of this study.

Figure 4.3 Illustration of the literature and theories of this study

Every empirical context is unique, but the subject matter of a research cannot be based on uniqueness. Therefore, understanding of a case study must be balanced with an explanation of the more general theoretical implications (Ketokivi and Choi, 2014). Furthermore, transaction cost economics indicates the underlying assumptions which include the relevant asset specificity, uncertainty, bounded rationality and opportunism to choose appropriate governance structures for supporting governance mechanisms. In addition, stakeholder theory lends perspectives to identify the necessity of stakeholder engagement that plays important roles in improving sustainability performance.

In this research, the need for using theories was created during the research process, and hence, empirical fieldwork parallels the theoretical conceptualisation. The theoretical chapter of the thesis (chapter 3) indicates the assumptions and explanatory background of this research phenomenon of supply chain governance for social sustainability. The conceptual chapter (chapter 2) of the thesis serves the purpose of supporting the readers in knowing important and relevant things related to supply chain governance before reading the case, so that, readers can look for certain things, such as codes of conduct, supplier selection, supplier assessment, supplier monitoring, supplier development, supplier involvement, in the empirical chapters.

Review of the Sustainable Supply Chain Management Literature

My literature review of sustainable supply chain management research was synthesised based on specific key themes and with some objectives in mind:

- (i) it can inform on the traces of progression of the field;
- (ii) it can help to problematise from existing literature to construct research questions;
- (iii) it can give insight into relevant literature with similar and contradictory opinions to analyse the research problem studied;
- (iv) it can bring perspective to the research problem and support in placing the research contribution within the conceptual frame of existing literature.

Over the past decade, literature within the SSCM field has shown an increased concern with social sustainability related subjects. Themes identified during literature review that also apply to social sustainability related research are presented in Table 4.5. These reviewed literatures bring many conceptual and empirical contributions to the theory and practices of the overall SSCM field.

Table 4.5 Social sustainability related subjects and reviews of literature in SSCM field

Social sustainability related subjects	Literature reviews within SSCM
Definition and concept of social sustainability	Elkington (1997), Dyllick and Hockerts (2002), Giddings et al. (2002), Grinde and Khare (2008), Seuring and Müller (2008), Carter and Rogers (2008), Carter and Easton (2011), Pagell and Wu (2009), Pullman et al. (2009), Pullman and Dillard (2010), Cetinkaya (2011), Ashby et al. (2012), Dillard et al. (2012), Seuring and Gold (2013), Touboullic and Ejodame (2016), Touboullic and Walker (2015), Missimer et al. (2016), Lüdeke-Freund et al. (2016), Varsei (2016)
Social issues: child labour in the sweat shops, poor working conditions, low wages and long working hours, workers' rights and health and safety risks	Preuss (2009), Andersen and Skjoett-Larsen (2009), Awaysheh and Klassen (2010), Klassen and Vereecke (2012), Preuss and Brown (2012), Pedersen and Gwozdz (2014), Huq et al. (2014a), Yawar and Seuring (2015), Walker et al. (2015), Pedersen and Andersen (2015), Perry et al. (2015), Winter and Lasch (2016)
Social justice, social equity, social capital	Dempsey et al. (2011), Hopwood et al. (2005), Carroll (1979), Carroll (1991)
Performance measures	Sancha et al. (2016a), Beske-Janssen et al. (2015), Klassen and Vereecke (2012), Cetinkaya (2011)
Internal and external barriers, enablers and drivers of social sustainability	Seuring and Müller (2008), Walker et al. (2008), Walker and Jones (2012), Foerstl et al. (2015), Varsei et al. (2014), Huq et al. (2014a)
Socially sustainable sourcing	Huq et al. (2016), Zorzini et al. (2015), Huq et al. (2014a,b), Huq et al. (2013)
Product labelling (e.g. Fairtrade) and Product stewardship	Moxham and Karjalainen (2013), Moxham and Kauppi (2014), Halldórsson et al. (2009)
Pressure for social sustainability from the external stakeholder agencies	Yu and Choi (2016), Yawar and Seuring (2015), Varsei et al. (2014), Walker and Jones (2012), Seuring and Müller (2008), Clemens and Douglass (2006)
Interaction with non-government organisations (NGOs)	Rodríguez et al. (2016a), Rodríguez et al. (2016b)

The literature review was conducted in two phases. The first phase was dedicated to the overall field of SSCM (see chapter 2 section 2.1) and involved using a preliminary set of keywords: sustainable supply chain management, social sustainability, sustainable sourcing, socially sustainable sourcing, sustainability performance (see table 4.5). The second phase explicitly focused on the SSCG (see chapter 2 section 2.2). To guide the search process (second phase), I used a combination of keywords such as, governance mechanism, codes of conduct, compliance, monitoring, audit and several others used in combination with sustainable supply chain governance or sustainability governance. The SSCM and SSCG literatures are overlapping. In the following table, the main key aspects of the SSCG research along with different governance mechanisms are summarised (see table 4.6).

Table 4.6 List of key terms from literature reviews of SSCG research

Key terms in SSCG related research	Literature reviews of SSCG
Sustainable supply chain governance	Vurro et al. (2009), Gimenez and Sierra (2013), Filho et al. (2016)
Sustainability governance structures	Alvarez et al. (2010), Bush et al. (2015)
Formal structures of governance	Alvarez et al. (2010)
Informal structures of governance	Alvarez et al. (2010), Klassen and Vachon (2003)
Formal structures of governance	Andersen and Skjoett-Larsen, (2009), Jiang, (2009a,b), Egels-Zandén (2007)
Sustainability governance mechanisms	Gimenez and Tachizawa (2012), Gimenez and Sierra (2013), Formentini and Taticchi (2016)
Governance mechanism: Control-based approach	Jiang (2009b) Andersen and Skjoett-Larsen (2009) Egels-Zandén (2007)
Governance mechanism: Relational-based approach	Sancha et al. (2016a), Gimenez and Sierra (2013), Klassen and Vachon (2003), Vachon and Klassen (2008)
Compliance	Egels-Zandén (2007), Locke et al. (2009), Locke (2013), Grimm et al. (2016), Yawar and Seuring (2015), Rahim and Wisuttisak, (2013), Barkemeyer (2009)
Code of Conduct	Egels-Zandén (2007) Egels-Zandén (2014) Egels-Zandén and Lindholm (2015) Jiang (2009a) Locke et al. (2009), Locke (2013), Svensson (2009), Rotter et al. (2014), Schrempf-Stirling (2012), Schrempf-Stirling and Palazzo (2013), Perez-Batres et al. (2012), Preuss and Brown (2012), Preuss (2009), Andersen and Skjoett-Larsen (2009), Normann et al. (2016), Huq et al. (2014a)
Supplier selection	Bai and Sarkis (2010), Klassen and Vereecke (2012), Andersen et al. (2016), Thornton et al. (2013) Adebajo et al. (2013) Walker and Jones (2012)
Supplier assessment or evaluation	Winter and Lasch (2016), Sancha et al. (2016b), Gavronski et al. (2011) Carter and Rogers (2008)
Supplier monitoring or auditing	Graafland (2002) Handfield et al. (2005), Welford and Frost, (2006), Vachon and Klassen (2006) Klassen and Vereecke (2012), Awaysheh and Klassen (2011), Boyd et al. (2007), Jiang (2009a,b), Svensson (2009), Yawar and Seuring (2015), Carter and Rogers (2008), Lund-Thomsen and Lindgreen (2014), Winter and Lasch (2016), Huq et al. (2014a), Huq et al. (2016), Egels-Zandén (2014), Locke et al. (2007)
Certification or standard setting organisation	Seidl (2007), van Bommel (2010), Stigzelius and Mark-Herbert (2009), Hutchins and Sutherland (2008), Sinkovics et al. (2016), Preuss and Brown (2012), Ciliberti (2011), Ciliberti et al. (2009; 2008), Mena et al. (2010), Müller, et al. (2009), Pagell and Wu (2009), Kortelainen (2008), Awaysheh and Klassen (2010)
Supplier development	Yawar and Seuring (2015), Seuring and Müller (2008), Akamp and Müller (2013), Sancha et al. (2015), Sancha et al. (2016a), Lu et al. (2012), Humphreys et al. (2004), Erkul et al. (2015), Modi and Mabert (2007), Mamic (2005)
Supplier involvement	Sancha et al. (2016a), Klassen and Vereecke (2012), Vachon and Klassen (2006), Gimenez and Sierra (2013), Gimenez and Tachizawa (2012)

The articles in this review were collected during the search for literature published over the past 10-15 years until 2017 in the field of sustainable supply chain management, purchasing and supply chain management, business ethics and corporate social responsibility. The document types searched were academic journals, books and proceedings, through EBSCOhost and databases. Business Source Premier, Emerald Insight, Sage Journals, Springer Link, Elsevier, Taylor & Francis Online, Wiley Online Library, ScienceDirect, Scopus, Academic Search Complete, and Google Scholar were used for additional Internet sources. In the review, some of the most common terms from previous publications were used as search strings. In addition, the reference lists of the acquired articles were checked, and the relevant references that had not been identified from previous search were subsequently taken in consideration for review.

The articles that did not meet with the purpose of this research and objectives of the literature review were excluded to keep the number of reviewed articles manageable. Therefore, articles where 'sustainability' is secondary focus and operation modelling, mathematical analysis, and technical aspects, such as closed-loop supply chain, reverse logistic, remanufacturing, product recovery, life cycle analysis are primary focus, were excluded. I attempted to review a broad coverage of SSCM and SSCG literature. However, despite not pursuing a systematic literature review and having a substantial number of publications in this particular field of research, it is possible that not 'all the literature' are included.

The articles that provided insights to sustainable supply chain management are obtained from these highly ranked and specialised journals: *Journal of Supply Chain Management (JSCM)*, *Supply Chain Management: An International Journal (SCMIJ)*, *Journal of Purchasing and Supply Management (JPSM)*, *Journal of Operations Management (JOP)*, *International Journal of Operations and Production Management (IJOPM)*, *Product and Operation Management (POM)*, *International Journal of Production Economics (IJPE)*, *International Journal of Physical Distribution & Logistics Management (IJPDLM)*, *Journal of Management Studies (JMS)*, *International Journal of Management Reviews (IJMR)*, *Academy of Management Review (AMR)*, *Academy of Management Proceeding (AMP)*, *Academy of Management Annual Meeting Proceedings (AMAMP)*, *Industrial Marketing Management (IMM)*, *Journal of Cleaner Production (JCP)*, *British Journal of Industrial Relations (BJIR)*, *Politics and Society (PS)*, *Organisation (O)*, *Corporate Social Responsibility and Environmental Management (CSREM)*, *Long Range Planning (LRP)*, *Business Ethics: A European Review (BEER)*, *Business and Society (BS)*, *Journal of Business Ethics (JBE)*, *Business Ethics Quarterly (BEQ)*.

4.3.2. Processing empirical materials

Collection and processing of empirical materials began from day one in the field and continued after coming back home. In the first part of this section, I will describe how the empirical materials were generated (section 4.3.2.1). Secondly, I will also elaborate on how they were interpreted and analysed (section 4.3.2.2), and lastly, how materials were delimited to develop this research account (section 4.3.2.3).

4.3.2.1. Generating the empirical base

Before going into the descriptions of how the empirical materials have been generated, I would like to summarise the field data in numerical terms to reflect the abundance of data. Over 60 hours of interviews were conducted (52 of the interviews spanned from around 30 minutes to up to 2 hours each). The MS word document on interviews and observation notes were 135 pages (see Appendix Table 4.9). In addition to that, I read hundreds of pages of documents, such as the Bangladesh Labour Law Book (150 pages), the MNCs' published codes of conduct for suppliers (123 pages) and the MNCs' CSR or Global sustainability reports (445 pages) (see Appendix Table 4.10), supplier structural safety assessment reports (publicly available in the Accord-Alliance websites) (64 documents) (see Appendix Table 4.11), and information from the website home pages of the MNCs, the Accord-Alliance, the NGOs and the suppliers. So, empirical materials were plenty. I was completely immersed with the thoughts on what to do with all these materials, how to analyse them and what image to project. Therefore, I kept several personal diaries to process the materials during the research endeavour, have written several conference papers and made several drafts of this thesis.

I did not wait for the fieldwork to end before starting the processing of empirical materials. Rather it was commenced immediately after entering the field and interpretation and sensemaking of what have been seen and heard continued throughout the research process until the final version of the thesis was complete. Thus, the empirical materials were generated by processing the data through interpretation and reflection (Alvesson and Kärreman, 2011) while conducting interviews, translating, reading documents, presenting in academic conferences, receiving feedbacks in seminars, writing papers on selected pieces of the study and writing this dissertation, but also through sorting, organising and categorising of the empirical materials.

I have mentioned earlier in this chapter that in a qualitative study, researchers do not passively record objective data in the field. Researcher's personal-cultural background and interests can influence how a researcher interprets and sense-makes, and inspiration from the research community can influence a researcher regarding where to pay attention or what to overlook (Alvesson and Kärreman, 2011). At the same time, in hermeneutic phenomenology study, a researcher needs to be aware of and recognise biases, as well as to be open to understand the mindset of the participants (Friesen et al., 2012). This is not an easy task, as on the one hand, the researcher's background and knowledge are important to decide where to pay attention within the multitude of activities and surrounded noises (Alvesson and Kärreman, 2011). On the other hand, the researcher's biases can influence the researcher to see and interpret things in a way that confirms pre-decided thoughts and ideas, which can limit the study in terms of being explorative (ibid). A researcher can perhaps be aware of some factors that influences interpretation, while other biases can be hidden.

To handle these personal biases, I made sure that I represented different people's voices in the thesis to portray different perspectives. In the written account, I carefully included the voices of the less powerful groups, such as the factory workers, the local NGO representatives. I provided 'thick description' that profoundly contained contextual interpretation of the actions of different people and understanding of the situations. While gathering the empirical materials in the field, the biases by literatures were limited, because of the absence of pre-determined literature, as the literature review was performed after data collection. In addition, I used different theories, as explained in the previous section (4.3.1), to analyse empirical materials from different angles and to achieve alternative interpretations. The theoretical-empirical interplay was a part of the daily writing-reading process that resulted in the writing of conference papers and this dissertation. In addition, to improve the quality of research undertakings, I had formal and informal conversations in research seminars with research colleagues to discuss about my ideas and others' work in the same area, which is a pragmatic way commonly used by the research community to reduce personal biases.

4.3.2.2. Analysing and interpreting the empirical materials

Analysis is the search for patterns in the empirical materials and matching the patterns by linking them with one another (Yin, 2009), whereas interpretation is the explanation of the patterns by attaching meaning and significance to the analysis through describing relationships

among them (Alvesson and Kärreman, 2011). The way particular aspects are interpreted depends on the pre-understanding of the researcher's considerations of finding something interesting (ibid). Interpretation is not just projecting meaning, it is also grounded in the whole set of background practices and experiences of the researcher gained from case studies, and pre-understanding of the literature and theoretical lenses used (Gadamer, 1988; McAuley, 2004). The interpretation takes place in the researcher's mind by reading empirical texts (interviews, dialogues, documents, and so on) with preconceived expectations and revisions over and over to generate understandings of the texts. Gadamer (1988) one of the influential representatives of hermeneutic phenomenology sketches out that process of understanding texts is a series of 'hermeneutic circles'.

'Hermeneutic circle' signifies a methodological process of a movement between parts (data) and whole (evolving understanding of the phenomenon). Therefore, such understanding is circular and iterative (Gadamer, 1988). Interpreting the meaning of the whole means making sense of the parts and grasping their meanings, to establish interrelationships among the parts for achieving a sense of the whole (ibid). This process of iteration or moving back-and-forth through emergent interpretation brings a progressively deeper understanding of both the parts and the whole, which is not of a logical nature, but rather an analytical one (McAuley, 2004). Because, the goal here is not to create a deductive argumentation to prove something, rather understanding the meaningful whole by creating connection and relationship with its elements (ibid).

First, I typed the interviews from short-hand notes into MS word documents and translated them into English, which helped me to get familiar with the data. After that, I took an iterative, abductive, fluid and emergent attitude for interpretation, which had five overlapping phases.

- (i) Multiple reading: I interpreted the empirical account through reading my field notes, documents, interviews texts and other materials multiple times. I highlighted and colour coded the important concerns and identified missing or unclear pieces from individual texts.
- (ii) Making notes: To work up the empirical base, I kept notes on the key concerns in short versions or summaries, and thus, writing was an integral part of interpretation.
- (iii) Transforming notes into themes: The identified central concerns and written notes that could unfold specific information were named and individual themes were developed.

- (iv) Seeking relationships and clustering themes: The connections between themes found within and across the data set, or constitutive patterns with shared meanings were identified and cluster of themes were developed.
- (v) Writing up and connecting the analysis with the whole data set: Dissemination of interpretation continued through zooming in the individual documents, interview texts, notes and other forms of data with a microscopic perspective and zooming out to chart the overall data set to get a helicopter perspective. I continued doing these five steps over and over throughout the processing of the empirical materials.

Organising and analysing empirical materials of case studies takes time and is quite demanding (Yin, 2009). Two types of data analysis were performed, within the single sub-cases and the cross sub-cases. The analysis began by categorising the data set (interview, documents, notes) into four sub-cases (e.g. MNCs, RMGs, Accord and Alliance, NGOs). Each sub-case was independently codified to identify similarities and differences within itself, and emergent themes that show central concerns were identified. Subsequently, brief case descriptions were written for each sub-case. Following the individual analysis of each sub-case, three cross sub-cases in combination of (i) MNCs-RMGs, (ii) MNCs-Accord/Alliance-RMGs, (iii) MNCs-NGOs-RMGs were conducted to develop conceptual insights. This helped to go beyond initial impressions, as the data from cross sub-cases was organised in excel sheets, which helped to see important concerns through diverse lenses of data. After that, elaborate empirical descriptions of the interactions, activities, initiatives, processes and practices were written for these three cross sub-cases (explained above) with detailed components. In this research of embedded case studies, there were multiple levels of analysis (e.g. MNCs, RMGs, Accord and/or Alliance, NGOs) that were chosen in relation to the four sub-cases. I present the empirical account of the level of analysis in the table 4.7 below:

Table 4.7 Multiple levels of analysis the empirical base

Embedded cases /Cluster of participants	MNCs	RMGs	Accord and/or Alliance	NGOs
MNCs				
RMGs				
Accord and/or Alliance				
NGOs				
Workers				
Other participants				

From the empirical base, I identified ‘emerging themes’ containing different types of problems of social sustainability (e.g. social, structural safety, workers vulnerability and community specific problems), sustainable governance mechanisms for handling these problems (within cross sub-cases of MNCs-RMGs, MNCs-Accord/Alliance-RMGs, MNCs-NGOs-RMGs), the goals to achieve social sustainability (social compliance, structural compliance and social development), and remaining challenges to improve social sustainability. In addition, when searching and writing about supply chain governance, different themes and processes evolved as I learned more by reading and analysing through different theoretical lenses.

During the last years of research after the field work, I continued reading, learning and reviewing literature. I identified patterns, themes and issues while reading and summarising literature. While matching patterns and themes from empirical materials with literature, a few themes emerged that seemed irrelevant initially and proved to be very important later, whereas the importance of some other themes persisted all through the process. The empirical materials were explained through different theoretical lenses to see them from different theoretical angles. Analysing through theoretical lenses helped to detect new things that offered new threads to investigate and reflect over. I selected aspects to focus based on the analyse from certain perspectives that constituted a way for me towards a comprehensive account. This process helped me to choose what to include in the final version of the dissertation, or in the short versions of other papers, and what to dismiss. This leads to the next section.

4.3.2.3. Delimiting the empirical materials

As I was processing the empirical materials and reflecting continuously on my experiences, the empirical materials grew into hundreds of pages. Deciding what materials to include in this dissertation, and what to leave out was one of the main challenges I faced. The data reduction strategy that I used to delimit from all-inclusive to highly-selective to decide what to focus on was firstly based on important events and episodes from the respondents’ point of views. Then I chose to focus on events, problems, solutions, challenges of social sustainability governance and different concepts that seemed important to my research interest (e.g. control-based and multi-stakeholder-based governance mechanisms, governance structures, stakeholder engagement and social sustainability performance). Other events, such as how an NGO was established, the MNCs’ procedure for product quality checking, how the RMGs merchandisers rent a logistics company for on-time delivery, the computer aided design

(CAD) for manufacturing process, detailed technical descriptions of the structural safety and similar things were excluded or moderately presented. The governance mechanism-structures and stakeholder engagement constitute the ‘backbone’ of the thesis, whereas, social sustainability became the ‘universal theme’ and topical focus throughout the thesis. Once these backbone and universal themes had been settled, I could develop and formulate the research questions and the purposes more precisely.

4.3.3. Writing endeavour

During the several years of processing empirical materials, I kept the field work memory alive as I was living with this every day and was constantly thinking of the people involved. When I was writing about what happened, my senses were activated, and I could hear the voices of the participants – what they said and did. The sounds and smells of the atmosphere and the whole scenario would pop-up in front of me. Thanks to the pictures I have taken in the field, the memories of the physical settings stayed alive in me. I did not have to fight hard to recollect those memories of cultural scenarios, the actors involved, the drama within, the problems and the activities around them. During these years after field work, I have been constantly working with the materials. I wrote and re-wrote the texts numerous times. In 4.3.3.1. I have explained my writing endeavours and how the materials are presented to communicate to the readers. And in 4.3.3.2., I will present some reflections on the choice of the research methods and approach.

4.3.3.1. Writing and communicating

I think through my fingers. As Wolcott writes, “writing is a form of thinking [...] writing is a great way to discover what we are thinking, as well as discover gaps in our thinking” (1990, p.20-21). In the process of writing, I could observe my thoughts on the relationships and inconsistencies among events and elements, and identify their inherent complexities as well as interesting problems. Thus, processes and patterns of the important components or elements evolved during the writing efforts. Several small versions of the conference papers and three complete versions of the thesis were attempted after the field work had been conducted. The *first* version of the thesis contained too many quotations to make the participants’ voice be heard. This was also a way for me to keep my interpretation close to the empirical stance. However, while doing so, one can barely see my comments. Therefore, the frequent and long quotations were not very significant to anyone as it became hard for an outsider to understand the texts. Objective representations of something ‘out there’ is not the whole story, because, in

a qualitative research empirical material are constructed in order to understand and generate a case study (Alvesson and Kärreman, 2011). In this phase, the research questions (e.g. interactions between MNCs-RMGs, MNCs-Accord/Alliance-RMGs, and MNCs-NGOs-RMGs) were very empirics-based. In the *second* version, I gradually added more and more descriptive paragraphs with the quotations and gave contextual details to explain to the reader the background of how and why things occurred. Despite adding my perspectives and understanding to a certain extent, the problem that remained was that it had a low degree of abstraction and was mainly an accumulation. In this phase, the purpose and the research questions were elaborated, which influenced the materials used in describing the overarching case. In the *final* version, while writing up the empirical story, I brought out my own interpretation and created a condensed shape of the material. I elaborated the analysis by using quotations to pick up interesting viewpoints and interpretations of the participants' responses in a neutral way. When the thesis was moving towards synthesis, the quotations became fewer, texts became more and more abstract, compound and comparable with other researchers' conceptions and theories. At the most abstract and general level of the thesis, the participants' viewpoints were implicitly stated, and this served as the basis for the development of the new framework.

As a researcher, my job is to develop a theory based on the data that explains an empirical phenomenon and context. I do that by understanding people's lived experiences (Dubois and Gadde, 2002). The next step is communicating the interpretation of what happened at field work and in the lived world of the participants under study (Alvesson and Kärreman, 2011). The purpose of the hermeneutic phenomenological study is to turn people's experiences and meanings into explicit contents. Researchers write descriptive passages with reflective attention and texts that are interpretive in character (van Manen, 1997). The reader is asked to 'breath life' into the descriptions of a hermeneutic phenomenological research (Friesen et al., 2012), in other words, readers can engage by bringing a receptivity rather than an analytic detachment while not abandoning independent disagreement or critique. Therefore, the writing of this dissertation aims to share the experiences and meanings projected by the participants from the social-world and interpreted by the researcher (myself) with explicit and reflective attentions. I have the ambition that the reader of this thesis should have independent knowledge about the case from the presentation of detailed empirical materials, that the reader can obtain knowledge of existing interpretations, can know about the status of theories employed, and be aware of the limits of generalisation or alternative explanations for the cases (Dubois and Araujo,

2007). Instead of writing an objective report, I tried to create a ‘storyline’ based on the empirical base. This implies bringing forth the voices of the workers, perspectives of both the responsible sourcing managers of the MNCs and the factory representatives, and aspects of governance and stakeholders. To give the reader clarity, the empirical language is maintained in the chapter (chapter 5) where I presented the research findings, theoretical language is used for conceptual interpretation of empirical materials (in chapter 6). Re-interpretations using theoretical lenses are presented in the following chapters (chapter 7 and 8). In addition, tables are used to highlight and summarise the important findings and discussions, and figures are used to provide clarity of the complex analytical explanations of the phenomenon of governing the supply chain for social sustainability.

In the previous section, I tried to demonstrate how the study was undertaken by describing how I had processed the empirical materials through generating, analysing, interpreting and delimiting and discussing the role of the theories and methods of literature review, as well as explaining the writing and communicating attempts. This was done to allow the reader to judge the value and trustworthiness of the contribution, and whether there is sufficient empirical ground or too many speculations.

4.3.3.2. Reflections on research approach and methods

In hermeneutic phenomenology study, the researcher’s reflectivity needs to be foregrounded, separated from the researcher and the researched and distance from the researcher’s preconceived ideas of the participants’ responses (Friesen et al., 2012). Qualitative research is inherently bounded by the traditions of the research community, most important among which are the researcher’s pre-conceived assumptions and the background knowledge that researcher brings into the study (Alvesson and Kärreman, 2011). In addition, the practical issues that include negotiating access, getting access to the interviewees, building trust, time and budget aspects, writing and communicating skills, can limit the research endeavour (ibid). Moreover, different research methods have both advantages and disadvantages. For instance, interviews can be influenced by the participants’ hidden agendas, political interests, desire to make good impression, memory errors and misconceptions (ibid). Additionally, misinterpretation of people and their actions in their natural context can influence the researcher and lead to difficulties in sense-making.

The interviews along with informal conversations on the participants' home territory and in public places, such as restaurant, coffee shops, conferences, walking around the factories and talking to people there, taking pictures where permitted, reading documents, getting feedback from the research community at academic conferences, together helped to reduce the disadvantages of the methods applied in this research. This kind of rich data is hard to obtain from surveys and by testing hypotheses and secondary data analysis. Searching was constant in the research process, and this search for empirical materials and the reading of more literature led to deeper understanding. Discoveries cannot be planned in advance. The ambition to discover pushed me into reconsidering the prevailing theories and influenced me to develop a new framework.

“Learning took place in the interplay between search and discovery” (Dubois and Gadde, 2002, p. 560). This involved much contextual learning of the auditing, supplier selection, compliance processes, ready-made garment industry, social sustainability governance, purchasing and supply chain arena, the contrast between the two main supply chain actors that are buyers and suppliers, multi-stakeholder organisations, the NGOs and the glimpse of the life of the workers. I have learnt that it is necessary to use a theoretical lens, to understand the phenomenon of social sustainability governance, and different theoretical lenses help to see things from different angles. Another lesson was to be able to select which parts of the data to keep in the thesis and to understand which pieces do not fit to portray the final story. Some of those pieces that could not make it to the final thesis were very important for my background knowledge. Thus, my learning process evolved through writing and re-writing the thesis, I became more and more conscious of writing the thesis in a way that readers can understand. During this process, I have learnt to eliminate information that cannot bring clarity, but instead obscures the reader's understanding.

However, this research has several limitations. *First*, this research is limited to the up-stream supply chain and only social sustainability governance. The down-stream supply chain that includes customers and customer-driven agencies would have different dimensions and dilemmas. *Second*, this thesis is delimited by the tier-one suppliers, and does not incorporate the perspectives of sub-suppliers on governance for social sustainability. Buyer-driven control of direct (tier-one) and indirect (tier-two, three and other) suppliers can vary, which would affect our understanding of social sustainability. *Third*, the suppliers in this research are from one industry with country-specific characteristics that limit the contingency factors. *Fourth*, in

this research a longitudinal study of the evolution of governance structures has not been incorporated, which can limit drawing a comparison that indicates the positive-negative dynamics of governance structure and mechanisms. *Fifth*, the findings of this research are based on a network of different actors related to the eight large MNCs, who are already recognised as responsive in SSCM, as they have subsidiaries in the host country and participate in the Accord and the Alliance. This purposive and convenient sample of the MNCs cannot be considered as representative of other corporations that do not have subsidiaries but that instead use intermediaries for purchasing, and therefore, can be less responsive to upstream social sustainability governance.

Nevertheless, for an inexperienced researcher, it is hard to know when to stop, when a point of saturation is reached (van Manen, 1997) and when there is enough materials to contribute with something interesting. I wanted to collect as much data as possible by carrying out more interviews, reading more articles, analysing using other theoretical lenses, reflecting more intensively, writing the thesis yet in another way and revising it several times, changing and even starting all over again. The study finally came to an end with the realisation that there is always room for improvement and there is more than one way to do things.

Chapter 5. The Ready-Made Garment Industry

It is hard to know if the garment you are wearing right now has been sourced from factories with presumably acceptable conditions. You have come to the right place if you are interested to find out about the different actors in the upstream supply chain, their real efforts towards social sustainability governance, the significant concessions they take to improve particularly problematic situations in the garment industry, and to what extent they can stop occurrences of unacceptable working conditions in the garment factories.

This chapter begins by describing the supply chain actors. It focuses on three crucial sustainability issues: social issues, structural safety issues, and workers’ vulnerability and community specific problems. After that, it explains the processes and governance practices of the supply chain actors in order to address the critical challenges faced in a journey towards achieving social sustainability performance goals: social compliance, structural compliance, and social development. The chapter is a summarised version of the empirical subject matter of this thesis. An overview of the chapter is given below in table 5.1.

Table 5.1 Overview of chapter 5

Social sustainability issues/problems	5.2. Social issues in concern	5.3. Structural safety issues	5.4. Workers vulnerability and community specific problems
The processes and practices to address the problems	5.2.1. Establishing the codes of conducts 5.2.2. Implementing the codes of conducts 5.2.2.1. The process of supplier selection 5.2.2.2. Supplier audit 5.2.2.3. Supplier rating 5.2.2.4. Supplier training and development 5.2.2.5. Supplier monitoring	5.3.1. Stakeholders coming together 5.3.2. Standards setting for structural safety 5.3.3. Implementing the standards for structural safety 5.3.3.1. The process of structural safety remediation 5.3.3.2. Supplier structural safety audit 5.3.3.3. Follow-up progress for structural safety 5.3.3.4. Negotiation 5.3.3.5. Supplier involvement 5.3.3.6. Public Reporting	5.4.1. The MNCs ethical values and CSR policies 5.4.2. Engaging with the local NGOs 5.4.3. Initiating Social Development Projects 5.4.3.1. Projects development 5.4.3.2. Implementation of the projects 5.4.3.3. Monitoring of the project progress 5.4.3.4. Project evaluation 5.4.3.5. Participation of managers and workers 5.4.3.6. CSR or Sustainability reporting
Social sustainability goals and unsolved issues	5.2.3. Social compliance 5.2.4. Non-compliance with CoC	5.3.4. Structural compliance	5.4.4. Social development
Challenges to improve social sustainability performance	5.2.5. Social compliance challenges	5.3.5. Structural compliance challenges	5.4.5. Social development challenges

5.1. Exploring the supply chain actors

This section introduces different supply chain actors in the ready-made garment field. The SSCM literature has extensively contributed to the study of two traditional supply chain actors - buyers and suppliers. In this research, along with multinational corporations (MNCs) and ready-made garment (RMG) manufacturing factories, the non-traditional actors, such as the Accord and Alliance, and non-government organisations (NGOs), are taken in consideration (see figure 5.1.). Field study reveals that these actors also play major roles in socially sustainable governance. This is discussed further in this chapter.

Figure 5.1 The supply chain actors

The Multinational Corporations (MNCs)

Many MNCs, clothing brands and retailers, who have direct connections with the customers through their outlets, produce clothing from independent suppliers or manufacturers in Bangladesh. Among these clothing brands and retailers, the ‘fast fashion’ brands serve the customers who want low cost, trendy and frequently updated clothing (e.g. MNC 2, 3, 4, 5, 6). Some other retailers serve the market to ensure year-round supply of everyday clothes at discount prices (e.g. MNC 1, 7, 8). As buyers these multinational clothing brands and retailers, are considered the focal companies in the supply chain. Some MNCs set up their ‘brand’s liaison office’ subsidiaries in Bangladesh to facilitate production coordination and take measures to reduce risk when sourcing across different suppliers in the supply chain. The focal companies that do not have a subsidiary in the host country order products through intermediaries or third-party trading agents, generally known as ‘buying houses’ (Supplier1,

Int. no. 27). These third-party trading agents are left out of the research scope. However, the MNCs' subsidiaries have been taken into consideration, as they are the direct representatives of the brands and retailers sourcing from Bangladesh.

The responsibility of the MNCs' subsidiaries is to ensure performance of the suppliers by maintaining the quality of production, reducing risk of production by addressing sustainable issues, and negotiating the conflicting interests of focal companies and suppliers. The employees of different units in the subsidiary have to report to the focal companies (or brands' head offices). Despite there being several benefits of having subsidiaries, *"it also increases managerial costs of the focal companies"* (MNC1, Int. no. 2). Some focal companies make the choice of having or not having a subsidiary in the host country by weighing the cost against the complexity of managing the supply chain.

The MNCs in this research have a special team in their subsidiary who are responsible for ethical sourcing. In different subsidiaries of the MNCs that 'team' is called by different names such as 'supplier development team', 'sustainability development team', 'compliance team', or 'ethical or responsible sourcing team' (MNC1, Int. no. 1). In this research it will be referred to as the 'responsible sourcing team'. The team can consist of 2-7 people depending on the policy of the global head office of the focal companies. The responsible sourcing managers in one MNC noted that *"we are too small in numbers in our team to perform our job for this big numbers of suppliers"* (MNC1, Int. no. 1). The responsible sourcing managers are accountable for implementing their brands' 'codes of conduct for suppliers', coordinating the compliance audit, evaluating the compliance condition, conflict handling in compliance issues and day to day dialogue with the factory representatives.

The Ready-Made Garment (RMG) Factories

Due to the MNCs requirements, many factories accommodate a 'compliance team' with their human resource and administration department. *"In many factories, the compliance duties used to be factory administration's responsibility, very recently, after 2013, the 'compliance manager' post was created"* (RMG15, Int. no. 25). The duties of the compliance team in the factories are to initiate and carry out compliance procedures, as it is required by the brands' codes of conduct for suppliers. They are responsible for facilitating all kinds of audit process and organizing and providing the necessary documents and records for inspection during the

audits (see the more detailed discussion about social compliance audit in 5.2.2.2). The compliance team is also responsible for the front-line worker facilities and welfare, whereas the merchandising and production departments are responsible for increasing production and timely delivery of garments, “*therefore, we are in a dilemma*” (RMG8, Int. no. 18).

A typical compliance team consists of a compliance manager, welfare officers and in some cases also an assistant compliance manager. The compliance managers do not have the same level of autonomy in decision making as the MNCs’ responsible sourcing managers do. This is because as subordinates, they have to follow the commands of the factory owners or managing directors. The RMG factory owners are members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). In reality, there is very little cooperation. Rivalry is common and competition is stiff (Supplier2, Int. no. 28). “*Most of the small garment factories are ‘one-man shows’, sole proprietorship. Some relatively large factories have partnership with multiple [2-4] owners. Sometimes the partnerships are formed between family members. In the managing committee, there are managing director, deputy managing director and director/s*” (Supplier2, Int. no. 28). While asking about the workers’ welfare and workplace safety conditions in the garment factory, a factory representative replied: “*we understand the necessity of compliance. We do believe that to sustain our business, we have to coordinate with the brands in this matter*” (RMG8, Int. no. 18).

The Accord and the Alliance

Immediately after the Rana-Plaza accident, activists, social movements and international trade unions influenced the corporations to give compensation to victims and take actions (Int. no 51 and 52). The MNCs gave short-term financial support and provided long-term medical and other kinds of support for the victims of Rana Plaza (Int. no. 39). Late, in 2013, after the Rana Plaza tragedy, a number of collective solidarity actions were founded. Most notably, the “Accord on Fire and Building Safety” (hereafter Accord) and the “Alliance for Bangladesh Worker Safety” (hereafter Alliance). These were five-year independent and legally binding agreements for structural safety improvement in the garment manufacturing factories. More than 200 European brands and retailers formed the Accord with global trade unions and NGO witnesses. Meanwhile, the Alliance had 29, mainly North American, brands and retailers involved in the adoption and implementation of the agreement. Out of a total of 4300 garment

factories¹³ in Bangladesh, approximately 1600 factories were inspected under the Accord¹⁴ and 674 factories under the Alliance¹⁵. Different interviewees expressed the necessity of forming these regulatory agencies because of the lack of government monitoring. *“But a brand could not do it alone, therefore different brands came together to take initiatives”* (MNC4, Int. no. 5).

According to one of the American brand representatives, the brands called for a meeting together with other American brands (later Alliance member brands) after Rana Plaza incident, and set the standards for Alliance (MNC1, Int. no. 2). These MNCs made formal an agreement through financial contributions to Alliance based on how many of their supplier factories that were listed for investigation in the Alliance (MNC5, Int. no. 6). Likewise, the European brands representatives agreed that *“to be an Accord signatory, one brand or retailer needs to pay a fee to the Accord based on the ratio of their sourcing factories”* (MNC7, Int. no. 9). Some brands therefore pay larger fees to the Accord as they have a relatively high number of suppliers in Bangladesh. In addition, an Alliance representative said that due to not having prior experience of working in this field, *“we also had to learn from our mistakes”* (Alliance, Int. no 30). The Accord representative agreed that *“we progressed step by step through learning by doing”* (Int. no 31).

The Non-Government Organisations (NGOs)

The local non-government organisations (NGOs) play a prominent role in taking initiatives for workers’ welfare and community development. An NGO representative mentioned, *“finding non-compliance faults, cancelling orders and terminating contracts cannot be the only option to solve problems in the ready-made garment. Corporations are becoming more and more interested in cooperating with us”* (NGO3, Int. no. 35). Discourses between MNCs and NGOs show that joint initiatives for improving RMG workers’ lives and work environment are not a recent phenomenon for the Bangladeshi RMG industry. The interview data indicates that the extent of involvement have expanded in recent years. Different MNCs interviewed have confirmed that they have involved with at least one NGO for one or more projects in the garment factory.

¹³ The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) list of total ready-made garment factories in <http://www.bgmea.com.bd/home/about>

¹⁴ Accord list of factories: <http://bangladeshaccord.org/wp-content/uploads/Accord-Public-Disclosure-Report-1-Nov-2017.pdf>

¹⁵ Alliance list of factories: <http://www.bangladeshworkersafety.org/factory/factory-list>

5.2. Social issues in concern

Remember Aysha, who was introduced in the beginning of the thesis? The day I met her, it was just her second day off in a month's time. Most of the female garment workers with families sleep less than six hours per day. On the top of the regular over time hours they put in in the factories to earn extra money, they also have to do household work (appendix 4.13 picture 1). Another worker expressed her frustration about the work-life balance: *"I wake up every day at 5 o' clock in the morning; cook and prepare food for my family; then go to work. With long working hours, after doing overtime, I have no time left to spend with my family"* (Int. no. 49).

The garment workers work is divided into seven different levels in the cutting, making and trimming (CMT) sections of a factory. A compliance manager explained, *"in the factories, the workers are working as helpers, ordinary operators, junior operators, operators, senior operators, master operators and supervisors in different units"* (RMG1, Int. no. 11). The production section normally consists of cutting, sewing, trimming, ironing and packaging units. Mostly the women workers working in those units are unskilled or semi-skilled. Very few of them get promotions despite having many years of work experience.

The front-line workers work with noisy cutting machines in long desks where thick layers of fabrics are lying. The cutting pieces of a garment are gathered by the workers at the end of the cutting floor and sent to the sewing units. Sewing units are the largest and are situated along several floors in the factory building. Mostly female workers work in the sewing units. In some of the factories, the workers wear their ID card, uniform, scrub cap and mask. Some of them do not like to wear masks as *"it is synthetic and suffocating"*. Another girl said, *"I can't talk properly with my friends while wearing the mask"*. From the sewing unit, garments are sent to the finishing unit for trimming away extra hanging threads to make the finish proper. Then the garments are ironed in the ironing unit, which are humid rooms in the top floor with hundreds of irons hanging on their cables from the roof. At the last unit, the garments are folded and individually packed in plastic. The packages are then put in corrugated cardboard boxes. The boxes are taken to the warehouse by elevators to the ground floor. Workers carrying piles of garments on their heads is a common daily practice for moving large loads from one floor to another (appendix 4.13 picture 3 and 4). From the warehouse, these packages are then transported by trucks to the port and subsequently shipped to the outlets or storages of the brands and retailers in USA and Europe.

Unauthorized subcontracting

The scenario is the complete opposite in the sweatshops, which are small factories without sanitary facilities, proper lighting or ventilation, often located in tiny little rooms of 12 to 40 square meters. These places were originally built for conventional stores or small tailor shops. Now small factories have been established with six to twenty swing machines. The sweatshops exist as many garment suppliers subcontract their production. “*Garments factory owners [or manufacturers] take more orders from the buyers [brands] than they can produce which brings business to us*” said a sweatshop owner. After taking an order from a buyer despite limited capacity, a manufacturer, or factory supplier, can delegate their order to these sub-contracting factories (see figure 5.2). The MNCs do not want their suppliers to sub-contract to the sweatshops since they have no-compliance with the brands’ codes of conduct. However, sub-contracting can be authorized if “*the MNCs know about it and the sub-contractors follow the brand’s codes of conduct. Subcontracting is unauthorized when the MNCs do not have any knowledge of sub-contracting*” (MNC8, Int. no. 10).

Figure 5.2 The MNCs order directly to the suppliers (or RMG manufacturing factories) and some of the RMGs sub-contract to the unauthorized sweatshops

Low Living Wages

Fair wages are a continuous worker demand. Despite some increases in recent years, the wages remain very low, especially compared to the minimum livelihood requirements of the workers and their families due to high inflation rates. The wages are hence not enough to fulfil the basic needs, “*being a helper [the lowest grade of worker] and not having skill level A-C, the last salary increments that the government gazetted in 2013 was not effective for me*” (Helper, Int. no. 46). A Senior Merchandiser of a retailer explained the overall wage condition this way: “*The workers are in a continuous loop of poverty. The daily commodity expenditures like food, house rent and so, are raised equally. Therefore, the increased salary could not have a positive impact on workers’ life. This vicious poverty is a big challenge*” (MNC8, Int. no. 10).

Excessive Working Hours

The suppliers encourage the workers to work overtime. As regular wages are low, workers also feel the need to work overtime, just to get some extra money (appendix 4.13 picture 5). *“I have to work 2-3 hours overtime every day on a regular basis to receive my overtime payment. In the peak production months, I have to work in the weekends as well”* (Int. no. 46). The workers are dissatisfied with their wages, benefits and overtime payments. *“I do not have any provident fund”* (Int. no. 48) and *“I had no salary increment for the last two years”* (Int. no. 50).

Harassment or Inhumane treatment and Disciplinary procedures

Different interviewees explained that physical and verbal abuse and harassment are common practice in the factory. A responsible sourcing manager of a brand explained it this way *“I have witnessed the extent of abuse that take place towards the workers [...]. The factory owners have an attitude which suggests physical abuse is the best policy for discipline (mairer upor oshudh nai)”* (MNC6, Int. no. 8). The workers I talked to told me that they have experienced verbal abuse by the supervisors because of slow progress in work. Another form of punishment used is, disciplinary actions *“workers’ wages, equivalent to one day, is deducted as a common disciplinary procedure”* (MNC5, Int. no. 6). Much of it is hidden though, as explained by another representative: *“much of the serious abuse exist in the lower tiers of supply chains, hidden from easy sight, making them hard to identify”* (MNC7, Int. no. 9).

Child labour, unauthorized subcontracting, low wages, excessive working hours, absence of compensation for overtime, harassment or abuse, discrimination and so on – known as ‘social compliance issues’ are addressed in the codes of conducts (CoC). **Social compliance** implies the ability of the suppliers to act according to the set of CoC of the MNCs and complying with the national laws and regulations.

5.2.1. Establishing the codes of conducts

The MNCs’ codes of conduct (CoC) for suppliers are published in their official corporate web-pages. The CoC are not legally binding obligations, but in many cases, based on International Labor Organization¹⁶ (ILO)’s convention of human rights. Some European based MNCs

¹⁶ International Labor Organization (ILO) fundamental conventions to improve the labor standards, Available at: <http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12000:0::NO:>

incorporate codes of Ethical Trade Initiatives (ETI)¹⁷ as the CoC for their suppliers. The CoC also clearly state that suppliers need to comply with national and local laws and regulations, in this case the Bangladesh Labour Act 2006¹⁸.

The brands and retailers declare in the CoC that where the provisions of law and the CoC address the same subject, suppliers must apply the one which provides greater protection of worker right, health, safety, and welfare. The government-initiated requirements for compliance began in 2006, after the revision of the labour law. The Bangladesh Labour Act was further revised in 2013 and now includes most of the issues that were stated in the CoC. In addition, it provides maternity leave of maximum 112 days, allowance regulation, child care facility, and requirements for in-house medical facility inside the factory, something that the CoC do not mandate.

The CoC contain specific issues of human rights, such as no child or young labour, fair wages, working hours, compensation for voluntary overtime, benefits and allowance, authorized employment, providing drinking water, sanitation facilities, no harassment or abuse, no and discrimination. The analysis of CoC of different brands shows that the categories and contents of the CoC differ among MNC to MNC. For example, authorized sub-contracting is not taken into consideration by all MNCs in their CoC. Moreover, there are significant discrepancies in the contents of CoC issues. For example, some MNCs' CoC provide details of remedies in case of child labour found in the first-tier or sub-contracting factories while some of the other MNCs' codes for child labour do not specify any remedies. Only a few MNCs have detailed descriptions about working conditions, safety, health and hygienic issues in their CoC.

The suppliers need to deal with the diversity of the MNCs' CoC with their differences and similarities in the topics and contents. However, instead of acknowledging the differences in the contents among individual CoC, most of the factory managers interpret them as overlapping concepts, because they think the categories are quite similar. A compliance manager claimed that *“different buyers' CoC are almost the same, even though individual buyers have separate requirements for audits”* (RMG3, Int. no. 13).

¹⁷ Ethical Trade Initiatives (ETI) is a platform for learning and promoting the code of conduct for the suppliers to improve the working conditions in the factory. It is facilitated by the UK Department for International Development. The UK brands and retailers are the founding members of ETI. Available at: <https://www.ethicaltrade.org/eti-base-code>

¹⁸ Authentic English translation of the Bangladesh Labour Act, 2006 where the Bangladesh Labour (Amendment) Act, 2013 is included, Available at: <https://osmanlaw.files.wordpress.com/2016/11/bangladesh-labour-act-2006-english.pdf>

The study of the secondary data found that most companies have an agreement – ‘*standards for suppliers*’ in place along with the CoC. The ‘standards for suppliers’ demonstrate the responsibilities of the suppliers for compliance with the CoC. When a factory wants to be a supplier of a brand, they have to sign the agreement of ‘standard of suppliers’ that shows they are responsible for ensuring compliance with the CoC. ‘Standards for suppliers’ can be grouped into four categories:

- (i) a general demand that all suppliers need to comply with the CoC as the minimum requirement.
- (ii) relatively strong requirement for agreeing on auditing and monitoring by the buyers that can result in termination of contract for unsatisfactory compliance performance, or can be buffered by willing to improve.
- (iii) by passing the responsibility while putting the obligation on suppliers that they should be responsible for meeting compliance of their own suppliers (second-tier, third-tier factories).
- (iv) Interestingly, most sample companies of this research mention in the ‘statement of standards’ for suppliers that that they are committed to work with the suppliers by providing training on CoC. Thus, it creates an impact on responsible sourcing to improve ethical business practice.

The field data shows, regardless the differences of the MNCs ‘standards of supplier’ agreement, all of the MNCs studied in this research have relevant involvement with their suppliers for the implementation of the CoCs.

5.2.2. Implementing the codes of conducts

The implementation of the CoC requires combined an effort of both suppliers and the MNCs, where suppliers work as executors and the MNCs play a role as regulators (see figure 5.3). The selection process for a new supplier shows how MNCs employ various tools for verifying CoC implementation. The CoC implementation starts from supplier selection and continues through auditing, training and monitoring, which are presented in this section. Taken together this can provide an understanding of the different activities of MNCs and RMG factories relating to implementation of the CoC.

Figure 5.3 Implementation of Codes of Conduct

5.2.2.1. The process of supplier selection

The MNCs purchasing or sourcing department used to select the suppliers based on the lowest cost of production without regard for social compliance issues. After the MNCs place their subsidiary in the Bangladesh, they initiate a selection process for their suppliers based on compliance issues (see figure 5.4). As soon as an interested factory sends a request to the MNC to become a supplier, the responsible sourcing team creates an ID (identity documentation) for the factory in the subsidiary's database (MNC5, Int. no. 6).

In the preliminary stage, after ID creation, the responsible sourcing coordinator of a brand's subsidiary sends a survey questionnaire to the factory, with what is known as 'topographic questions' for 'self-assessment' (MNC1, Int. no. 2). The factory representative, mainly the compliance manager, has to answer these basic questions. There are normally fifteen questions in the topographic survey, number of workers working in the factory, number of floors in the factory building, number of responsible persons dealing with social compliance issues in the factory, number of managers in the factory, and the background of the executives or owners (MNC1, Int. no. 2).

Figure 5.4 The initial selection process of a supplier

The factory representatives fill in the self-assessment questionnaire themselves and send it back to the subsidiary's responsible sourcing coordinator via email. The MNC reviews the answers of the questionnaire. *"If the answers are not satisfying the requirements of our brand's code of conducts, then the factory status would be 'inactive'"* (MNC1, Int. no. 1). If the answers satisfy the minimum requirements of the MNC's CoC, then the factory receives a registration number as a potential sourcing factory and is considered to have an 'active' status by the MNCs subsidiary (MNC1, Int. no. 1).

In the second stage, a factory with 'active' status has to sign the agreement of 'standard of suppliers' (MNC5, Int. no. 6). By doing so the factories show their commitment for ensuring compliance with CoC and give their consent for mandatory audits and regular monitoring (see section 5.2.2.3 for detail). After that, 'initial audits' are scheduled for the factories with 'active' status. Most of the MNCs require the factories to go through two kinds of 'initial audits' - social compliance audits and structural safety audits.

Each factory must go through audits performed or organized by the brands' in-house auditors or third-party auditors or both, to verify if all the necessary requirements of the CoC are met (MNC5, Int. no. 6). These kinds of compliance audits cover child labour, working hours, fair wages, overtime payment, and other benefits such as maternity leave, medical allowance, canteen facility, drinking water, and toilet facilities to investigate if the factories are following the CoC and complying with the national law (RMG11, Int. no. 21). *"The name for these audits can vary in different brands. Some call it 'responsible sourcing' (RS) audit, some call it 'social audit'"* (MNC1, Int. no. 1). Hereafter, in this study these types of audit will be referred to as **social compliance audit**.

After the Rana Plaza factory building collapse audits of fire, electrical and building safety of the factories was made mandatory. Here, Accord or Alliance assume the regulatory position to investigate. This is known as a *'structural safety audit'*. A subsidiary's responsible sourcing manager puts it in this way: *"From 2014 after the Rana Plaza incident, fire, electrical and building safety audits are compulsorily performed by the Accord and Alliance for every potential supplier's factory assessment"* (MNC5, Int. no. 6). Hereafter, this audit is mentioned as **structural compliance audit**.

In the third stage, if both social and structural compliance audit results show non-acceptable results to comply with CoC, then the factory has to take initiatives for corrective actions. *“Following the initial audit based on the recommendation of the audit report, the factories are required to take corrective actions for non-compliances with code of conduct and local law”* (MNC7, Int. no. 9). Depending on initial audit result within an agreed upon timescale, normally within 3-10 months of the initial audit, *‘follow-up audits’* are performed (MNC1, Int. no. 1). *“Usually the factories’ lead buyers [brands] or their preferred inspectors perform 2-3 follow-up audits for social compliance”* (RMG11, Int. no. 21). The auditing and approval before a factory can start supplying can take a year or more, (MNC5, Int. no. 6). A factory has to receive an acceptable compliant standard with the CoC to be considered a trading partner and receive orders from MNCs for garments production.

5.2.2.2. Supplier audit

One of the widely practiced tools for verifying CoC implementation is compliance audit, which measures the compliance condition of a supplier. A social compliance audit generally includes an opening meeting with factory management, a factory tour, a review of factory records and documents, private and confidential interviews with selected workers, and finally a closing meeting with factory management to discuss preliminary audit findings (Global Compliance Program Guidebook 2016, MNC8). However, there are various ways of conducting social compliance audits. Some are performed ‘announced’, with prior notification; while some are performed ‘unannounced’, without notification; some audits can even be performed ‘semi-announced’ in an unknown date within an agreed upon time frame, or it can be performed in a combination of all.

The advantage of the **‘announced audit’** is *“it helps to ensure that all necessary documents and records will be presented for inspection during the audit”* (MNC7, Int. no. 9). In the ethical trading guideline of a retailer, it is stated that even though sometimes audit is announced, it may help to build ownership of ethical issues by the supplier’s management team. This practice can however, present an opportunity for some suppliers to prepare sites and coach workers prior to an audit in an attempt to manipulate findings.

To address this risk, **‘semi-announced’** audit is performed, where suppliers are given a one-month window during which the audit will take place as opposed to an exact date. *“This ‘semi-announced’ audits enable suppliers to prepare the relevant records to present to the auditors*

but may give less chance for manipulation” (MNC7, Int. no. 9). A renowned brand performs audit on a semi-announced basis. Their ethical audit guideline states: *“within an audit window of three weeks. We do however reserve the right to conduct unannounced audits”*. Responsible sourcing manager of this brand confirmed that *“we conduct unannounced audits on 25% of the suppliers’ factories, because they give a more realistic picture of the factory conditions and are often more useful for identifying violations”* (MNC4, Int. no. 5). The unannounced audits reconfirm the findings of earlier announced or semi-announced audits. It allows cross-checking if additional issues are identified, thus validating the main audit findings (Graafland, 2002, p.5).

In certain situations, the audit is conducted totally **‘unannounced’**. For instance, if the previous audit cited a serious violation, e.g. inconsistent payroll or wage records. *“in these cases, [...] the unannounced audits reconfirmed the findings of earlier announced or semi-announced audits, whereas the identified issues are yet subject to a normal improvement process”* (MNC8, Int. no. 10).

Multiple interviewees explained that some MNCs start their initial investigation to select their suppliers through independent third-party auditors. After that the MNCs’ subsidiaries’ in-house auditors perform regular follow-up audits in their suppliers’ factories. Some brands prefer to conduct audit through their own responsible sourcing team. One fast fashion brand allows self-assessment audits performed by the factories. Some other MNCs ask the factories to perform audits through external auditing bodies Worldwide Responsible for Accredited Production (WRAP), Supplier Ethical Data Exchange (Sedex). Not all the MNCs require the factories to have these audits certifications from external bodies.

Third-party auditing

The MNCs hiring third-party auditing firms for performing social compliance audits in the factories is a commonly used auditing practice (e.g. MNC1). The factory owners pay an audit fee to the third-party auditors to perform the audits. The drawback of third-party auditing is: *“when a third-party auditor finds that the factory is not compliant according to the code of conducts of the brand, the factory management can offer extra money to make a positive report by hiding the shortcoming of the compliance issues”* (MNC2, Int. no. 3). Therefore, hiring local personnel from third-party audit firms does not necessarily provide reliable results.

Buyers' in-house auditing

Some MNCs prefer to conduct audits for social compliance in-house through the responsible sourcing team (e.g. MNC 2, 3). In this case the factory does not have to pay the in-house auditors of the MNCs for social compliance audit. The advantage of this kind of auditing is that the in-house auditors increase reliability in general, as they can reduce the probability of factory representatives paying bribes. Moreover, the subsidiaries' in-house auditors have deeper knowledge of the core values of his/her brand and understand the brand's sourcing system. In-house auditors "[...] *increase our understanding of a factory's improvement process and can guide, step by step, the corrective actions for social compliance*" (MNC3, Int. no. 4). One of the negative sides of in-house audit is, "*brands need the factories for production, and they want their supplier on board with acceptable social compliance audit rating*" (MNC1, Int. no. 1). This implies that brand subsidiary's in-house auditors might make a biased social compliance auditing report about their suppliers' factory, so that the subsidiary can place an order to the factory for production.

Auditing by both buyers' in-house auditors and third-party auditors

Some brands and retailers use both internal auditors and third-party audit firms to conduct social compliance audit in the factories by (e.g. MNC 5, 7 and 8). When a subsidiary of the MNC performs both types of audits – independent third-party audits are performed for the initial investigation of the social compliance condition of the factory and in-house audits are performed for shadow assessment of the third-party audit. For example, responsible sourcing manager of a brand said, "*we perform third party audit for supplier selection, after that in-house audit for regular evaluation of social compliance*" (MNC5, Int. no. 6).

Certifications for social compliance

A few MNCs ask the supplier to have the audit done by external certification bodies who are accredited monitoring organisations that conduct compliance audits after receiving a request and registration fees by the supplier factories. For example, the brands and retailers, mainly from the UK, who are the founding member of the Sedex¹⁹ want their suppliers to carry out

¹⁹ *Supplier Ethical Data Exchange (Sedex)* is a non-profit membership organization founded by a group of brands and retailers from the UK to drive convergence in social audit standards and monitoring practices to deliver improvements in responsible and ethical business practices in global supply chains. It helps to manage ethical supply chain data of the corporations and their suppliers worldwide in a secure online platform. It is a collaborative platform for a range of stakeholders including corporations, UN bodies, government, NGOs, trade organization. Available at: <https://www.sedexglobal.com/about-us/governance/>

social compliance audit according to the Sedex Members' Ethical Trade Audit (SMETA)²⁰ guideline (e.g. MNC 4, 7). This SMETA based audit is performed by Sedex nominated auditors to verify if the factories are complying with the Ethical Trading Initiatives (ETI) base codes of conduct and local laws, to be considered as socially compliant. *"We prefer Sedex as it has a common format for audit report and corresponding corrective action plan"* (MNC7, Int. no. 9). However, some brands (e.g. MNC 4 and 8) accept WRAP and SA8000 certification (MNC3, Int. no. 4). A disadvantage of accepting certification for social compliance audit is that *"it is a contract between the suppliers and the audit institute or certification body. It makes the suppliers responsible for the audit, not the buyers"* (MNC3, Int. no. 4). However, very few factories I visited possessed these certificates from accredited monitoring organisations.

Social compliance audit through self-assessment

Only one fashion brand among the samples (e.g. MNC6) allows the factory to have self-assessment audits under the HIGG index²¹ guideline developed by Sustainable Apparel Coalition (SAC)²². The HIGG index is a measurement tool linked to the international garments industry, which has both a social module and an environmental module. It also includes labour right issues for social sustainability. A compliance manager in a garment factory explained the self-assessment auditing process: *"based on HIGG Index guideline, we have to answer 'yes-no' for different questions by ourselves in a set of questionnaires. We have to submit a number of documents to support every 'yes-no' answers. The brand subsidiary's responsible sourcing team members do the validation."* (RMG3, Int. no. 13). A large number of garment factories who are suppliers of this brand participate in self-assessment audit systems under the HIGG Index from 2015 (e.g. RMG 2, 3, 7, 9, 11, 13, 15 and 16). *"85% of our suppliers' factories have activated this self-assessment audit under HIGG index"* (MNC6, Int. no. 8). A responsible sourcing team member of that brand conveyed that the advantage of self-assessment audit is that it is less time consuming, therefore, effective. Moreover, the self-assessment audit creates a bond of trust between the brand and the suppliers, a factory compliance manager said, *"self-assessment audit is a sign of trust"* (RMG7, Int. no. 17).

²⁰ Sedex Members Ethical Trade Audit (SMETA) is a common audit methodology and a certification process for companies developed by Sedex forum members. SMETA ethical audit includes health and safety and labour standards uses complying the ETI code and local law as the measurement tool. Available at: <https://www.sedexglobal.com/products-services/smeta-audit/>

²¹ The HIGG Index is a set of standardized supply chain measurement tools for self-assessment sustainability throughout the supply chain. It is developed by the Sustainable Apparel Coalition Available. at: <https://apparelcoalition.org/the-higg-index/>

²² Sustainable Apparel Coalition (SAC) is an international alliance of the brands and retailers for assessing environmental and social sustainability in the supply chain of apparel, footwear and textile industry. Available at: <https://apparelcoalition.org/the-sac/>

5.2.2.3. Supplier rating

Factory rating based on audit results helps achieving systematic evaluation and selection of suppliers. The criteria for factory rating vary MNC to MNC. The factory rating influence selection of a new factory as well as factory termination, which. Factory ratings are done considering the levels of violations of CoC, for instance, in 3-4 categories of colour codes (e.g. MNC1, 2, 5) or alphabetical code (e.g. MNC3) and measuring the levels of risks (e.g. MNC4, 7, 8). Moreover, the approximate time for re-inspections is arranged based on the rating. Following the social compliance audit report and factory rating, the factory managers are provided training, discussion and recommendation for improvement by the MNCs.

5.2.2.4. Supplier training and development

The MNCs provide training and development to the factory representatives, so that they can improve in the area of non-compliance activities. As the Senior Responsible Sourcing Coordinator of a retailer explained “*our interest is we want the factory to be onboard, we need garment factories for our sourcing. So, it is in our interest to educate and train them to be a sustainable supplier*” (MNC1, Int. no. 2).

Figure 5.5 Training is provided to the factory representatives by the MNCs

Training provided by the MNCs

Most of the MNCs have a ‘supplier development team member’ who gives training, education and monitoring for responsible sourcing (see figure 5.5). Representatives explained that the reasons of providing the training to the factory representatives are three-fold: (i) to enhance

understanding of labour laws and CoC (MNC1, Int. no. 1). (ii) to remediate matters of non-compliance and to improve those specific areas of compliance where the factory is under performing (MNC5, Int. no. 6). (iii) to build the capability so that they can train their own workers (MNC6, Int. no. 7).

The factory representatives get these trainings from the MNCs through one to one meetings, group training together with other suppliers of that MNCs, and daylong seminars on ethical trading (MNC5, Int. no. 6). Many different methods are applied to provide the training, as well as a variety of formats are followed including e-learning, presentations, workshops, practical tutorials, webinars and case studies (MNC4, Int. no. 5). Different types of training are provided to the owners, executives, top-level managers in the factory, mid-level managers (e.g. human resource or compliance managers), and the factory workers.

The training for owners, executives, or top-level managers in the factory include: training to clarify brands' CoC for the new suppliers or brand's standards on ethics, training on human rights and responsibility, training on freedom of association and anti-corruption, and training to create social dialogue with their workers. The main purpose of these training courses is to help the factory owners and top-level managers to *“change their mind-set on social and environmental sustainability issues. We do counselling by providing necessary information to strengthening factories capability”* (MNC7, Int. no. 9).

The mid-level managers in the factory also receive training on brand's CoC, ethical standards and national labour law acts. The training for factory human resources or compliance managers is slightly different than the top executives, since it often is initiated after analysing the compliance conditions from audit reports. The main reasons for training for mid-level managers are to *“discuss about the problems to identify the root cause behind low performance”* (MNC1, Int. no. 2) and *“to help them prepare day to day action plan in the areas of improvement”* (MNC5, Int. no. 6).

The supplier development team members of the brands also train the factory representatives to inform them on what kinds of trainings to provide to their factory workers and how to provide trainings on matters, such as how workers can apply for leave of absence, how announced leave can increase trust and create better relationship among employer and workers, and so on. *“To verify if the factory manager is providing the training or not, we interview workers in their*

factory” (MNC1, Int. no. 1). However, the factory managers’ participation in the training programme is voluntary.

In-house factory training provided by RMG representatives

Generally, it is the mid-level managers’ duty to provide the training to their workers in the factory. Most of the workers never receive any training from the factory management to know their rights and responsibilities (NGOs train the workers on this which will be discussed in section 5.4.3.1). However, some of them receive orientation training from the factory representatives, where they learn about matters such as factory policies on absence procedure (e.g. medical/sick leave, earned leave, etc), disciplinary procedure, workplace security threat awareness procedure, workplace rules and regulation. A few big factories have an in-house training room where they provide training to their workers (e.g. RMG 14 and 15), where they learn: “*we learnt about our wages, rules and regulation in the factory and what to do or not to do during the buyers’ (MNCs) visit in the factory premises*” (Int. no 48).

The compliance related employees of the factories face many limitations from the factory owners. In many cases they failed to train the workers because all factory owners were not willing to provide training to their workers. “*The compliance officers may have limited budget for giving training to their workers*” (MNC1, Int. no. 1). As a consequence, when MNCs’ representatives or third-party auditors evaluate the training attendance documents, “*the factory management make fake documents about workers training, put fake names [of the workers as the participants] on the training list, even put fake signs beside those names*” (MNC1, Int. no. 1). Moreover, the workers cannot always actively participate in the training because of fatigue. “*The workers always face pressure to achieve production target, so they get limited time for training. They are tired, working so hard the whole day that they feel sleepy during the training session.*” (MNC1, Int. no. 1).

5.2.2.5. Supplier monitoring

The training is provided to the factory representatives after the factories receive their first-time non-compliance status in the audit rating. Sometimes after receiving all the training from the MNCs, the factories may receive a second low compliance status. In the audit follow-up investigation, an issue can be completely alright in the first follow-up, but it can be found non-compliant during the second follow-up audit (MNC2, Int. no. 3) “*[...] after training, they improve in the areas where they previously performed poorly, but their performance can*

decline in some of the other areas of social compliance” (MNC1, Int. no. 2). The MNCs are concerned about compliance issues that occur repeatedly.

The MNCs representatives’ factory visits

Several MNCs’ (e.g. MNC1,2,7,8) responsible sourcing managers (mainly ‘social’ audit team members) visit their suppliers’ factories from time to time to monitor progress on compliance and hold on-site meetings with factory compliance managers as a remedy for repeated occurrence of low-compliance rating of the factories. Direct monitoring by the MNCs through factory site visit reduces non-compliance: *“so far, we have 99% success rate from direct factory visit”* (MNC1, Int. no. 2). A manager of an American retailer, who visits the tier-one factories five days a week said: *“if we visit the factory regularly then the factory managers behave properly and do not dare to show abusive behaviour towards the workers”* (MNC8, Int. no. 10).

The RMG owners’ factory visits

Compliance related problem-solving decisions are delayed when the owners or top management live abroad and do not come to the factory at all (MNC2, Int. no. 3). The Compliance Manager of a factory said *“our managing director (owner) lives in Canada and visits us once in a year for 3-6 months to take his profit. In the absence of the owners, the management representative runs the factory”* (RMG12, Int. no. 22). Supporting this comment, a factory worker said, *“I have never seen the factory owner, not even once in a whole year”* (Int. no 46).

An executive director of two garments factories stated, *“I understand the importance of my presence to monitor our factories, therefore, I regularly come”* (Supplier3, Int. no. 29). In some garment factories, the owners have their office inside the factory and visit the site everyday (e.g. RMG8 and 15). The compliance managers claim that this makes a difference, as they give higher priority to the safety and security, compared to the other factories that hardly receive any visit by their owners.

5.2.3. Social compliance performance

‘Social compliance’ is the extent that a supplier is complying with local legislations and conformance to follow the norms of codes of conduct, these CoCs are often imposed by the

MNCs and which may or may not be required by the law. The MNCs undertake a number of initiatives to improve social compliance performance in their supplier factories. For example, one brand performs factory capability and capacity audits to prevent sub-contracting. Most of the MNCs require suppliers to ask proof-of-age documents from the workers to prevent child labour. They also ask the suppliers to install automated attendance machines to keep records of working hours. Some of the MNCs calculate wages by their designed cost price model and fair wages methods. Even though a number of initiatives are undertaken by the MNCs for social issues, social compliance performance of the factories is still not always satisfactory. Table 5.2 shows the variety of initiatives taken by the MNCs for improving social compliance.

Table 5.2 Social compliance performance and unsolved issues

Social compliance issues	Steps towards social compliance performance improvement	Unsolved issues for social compliance
Child Labour	Proof-of-age documents (e.g. birth certificates, or government-issued IDs, or vote ID card) mandatory to show before recruitment	The child labour issue is almost solved in tier-one factories. Still challenge exit in unauthorized subcontracting factories.
Unauthorized subcontracting	Factory capability and capacity audit for stopping subcontracting	Inadequate effort considering the need. Factory owners take more orders than they can produce.
Low Living Wages	‘Cost Price Model’ and ‘Fair Wage Method’ to calculate living wages	Delay in paying wages and underpayment are common.
Excessive working Hours	‘Target Fulfilment Bonus’, ‘Ethical Model Factory program’ and a time clocks or other comparable automated method (e.g. figure punching machine) for tracking attendance, working time and calculating pay	Many factories in Bangladesh has issues related to overtime and payment of overtime.
Limited compensation and benefits	‘Attendance bonus’ and ‘annual bonus’ as a mechanism for contributing to wage increases through productivity improvement	Very few factories provide production target achievement bonus and annual bonus.
Lack of medical facility and medication	Factories provide minimum two to maximum six beds in-house medical facility as the law required.	Only few factories provide this medical facility
Avoiding maternity leave and allowance	Maternity leave and allowance are provided according to law. Some factories have pregnant worker’s health awareness programme	In some cases, maternity allowances are not given by the factory and the pregnant workers are replaced by male workers.
Harassment or inhumane treatment and disciplinary procedures	Physical and verbal abuse and harassment are completely prohibited by law, even for the disciplinary purpose. Brands demand that the suppliers must establish written disciplinary procedures and maintain written records of all disciplinary actions Training on non-discrimination and preventing harassment are initiated.	A salient human right issue, as verbal abuse is a common practice.

The suppliers' role in some of the social issues is very encouraging, for example, eliminating child labour from tier-one factories, allowing maternity leave and allowance, providing in-house medical facility, benefits and compensation (appendix 4.13 picture 14 and 15). But, in some other matters, suppliers are reluctant to improve. These are described in the next section.

5.2.4. Non-compliance with the CoC

The representatives of the MNCs mainly expressed two highest concerns for non-compliance. According to the MNCs' representatives, the "key" violations are: *one*, is working hours and wages related, such as excessive hours of work (overtime) and not paying proper wages and falsifying records for working hours and wages payments (e.g. MNC 1,5,6,7,8). The *another one* is unauthorized subcontracting as the main non-compliance issue considered by some of the MNCs (e.g. MNC 2,3,5,6).

The responsible sourcing manager of a fast fashion brand said, "*we are facing challenges, such as long working hours, which remain a common issue in many factories*" (MNC6, Interviewee no. 8). Other responsible sourcing managers supported that most of the issues of low social compliance performance are 'wage' and 'overtime' related. "*Each and every factory does overtime. They keep different sets of records for corrupted purposes. They hide the original papers where they have the original calculation for overtime*" (MNC1, Int. no. 2). Factories influence the workers to work overtime, falsify overtime records to make low payments, and as the regular wages is low, the workers need to work overtime. A compliance manager of a factory who is the supplier of several brands openly said that "*every factory in Bangladesh has issues related to payment of overtime and it is confidential, I don't want to talk about it*" (RMG15, Int. no. 25).

This falsification of the documentation of wages is discovered through audits. Sometimes the auditors find the original documents of wages and overtime, or mismatches in the calculation in the papers that compliance managers of the factory's handover to the auditors. Sometimes when the auditors interview the workers, the workers claim that they have worked a particular number of hours, but their record shows lower working hours than what they claim (MNC1, Int. no. 2). "*Falsifying records to hide excessive working hours and underpayment is an entrenched practice in Bangladesh*" (MNC7, Int. no. 9). This retailer (MNC7) has found that 27 out of 60 of their supplier factories in Bangladesh had excessive working hours issues and

they are still struggling to solve this problem. The compliance manager of a factory who is the supplier of MNC7 said, *“for some brands, I have to spend a considerable amount of time on managing the overtime schedule and maintain records of payroll”* (RMG10, Int. no. 20). In addition, another representative expressed *“the majority of non-compliance issues identified by our auditor are related to ‘health, safety and hygiene 68%’, ‘working hours 15%’ and ‘wages 14%’”* (MNC4, Int. no. 5).

Other responsible sourcing managers of the MNC specified that their struggle is tackling the unauthorized subcontracting, *“we focus much of our time on complex issues such as tackling the use of unauthorized subcontracting”* (MNC5, Int.no. 6). Similarly, another sourcing manager claimed, *“we have zero-tolerance for unauthorized subcontracting, even though there can be some exception depending on case to case”* (MNC2, Int. no. 3). In the same vein, a compliance manager of a factory (supplier of MNC2, MNC7) confirmed the claim of these brand managers: *“buyers’ main concern is if we are ‘sub-contracting’ or not. Some brands [e.g. MNC2] are very strict about unauthorized sub-contract, if they find any sign of sub-contacting, they would just cancel all the orders they have placed”* (RMG11, Int. no. 21).

In many cases, the participants say that the root causes for non-compliance are both factory owners’ greed to not invest in taking actions for worker rights and also the corporates’ hunger for profit by not allocating resources for implementing CoC. A responsible sourcing manager of a brand said, on the one hand, *“many factory owners are driven by greed and are desperate to earn quick money. So, the ‘mindset’ for 100% compliance is absent”* (MNC1, Int. no. 1). Factory owners may try to avoid compliance and prioritize production volumes and profits and it is hard to change these kinds of behaviour. At the same time, *“buyers always prioritise their profit margin and continuously pressurise the suppliers to reduce CMT (cutting, making and trimming) cost”* (MNC8, Int. no. 10).

Some MNCs want to *“influence to help remedy the situation”* of social compliance issues (MNC3, Int. no. 4). In case suppliers repeatedly refuse to coordinate, *“the MNCs will stop sourcing from them”* (MNC7, Int. no. 9). There are two consequences based on the factories degree of violation of the national law and non-compliance with the CoCs. One is immediate termination of the contract with the existing factory. The other is providing training and support to the factories to fulfil the requirements for improvement before re-auditing.

5.2.5. Social compliance challenges

The MNCs take important initiatives to improve social compliance, but in some cases, they are unwilling to take responsibility and tend to shift the responsibility to the suppliers. The interest of the suppliers in implementation of CoC to a larger extent depends on the importance of the economic aspect of the trade and the pressure from the MNCs. The supply chain relationship is short-term and order-based. From the MNCs perspective, a long-term relationship may encourage suppliers to repeatedly engage in non-compliance. The MNCs currently disclose their first-tier suppliers, however, they rarely report the social compliance conditions of their suppliers.

A factory produces garments for more than one buyer. Different buyers have different requirements for CoC implementation and social compliance audits. Several factory compliance managers explained that it is very challenging for them to undergo so many different types of audits per year. They need to rearrange their existing administrative and reporting work set-up to meet the audit requirements for different buyers. The frequent changes incur 40% more cost and time and the MNCs do not shoulder any of these costs. A compliance manager said *“we are in 100% export-oriented business and the time management is the biggest challenge here, as we have to deliver products just on time. Preparation for all the paperwork for audit takes time and makes my job even more difficult to meet the production deadline”* (RMG10, Int. no. 20).

In the guidelines of the MNCs and also through interviews it becomes clear that MNCs use different category-based systems to rate factories' performance on social compliance issues. *“As we supply to more than one brand, each of them rates us differently”* (RMG11, Int. no. 21). The challenge of different ways of rating is that it is confusing for some of the factory representatives. From the factory representative's perspective, it is hard to define if a factory for example actually belongs to the criteria of 'low risk' or 'average performing'.

Another interviewee explained that there is a general knowledge gap among the factory compliance managers on how to handle compliance, *“the factory owner and senior and mid-level managers have limited understanding about compliance. There are no courses in the universities' Business departments about 'compliance' issues”* (MNC1, Int. no. 1). Therefore, it is important for the MNCs to provide training to the factory compliance professionals.

5.3. Structural safety issues

Unsafe factory buildings, inadequate fire protection systems and insufficient prevention of electrical hazards are indicators of high structural risks. Bangladesh had a history of factory building collapses long time before Rana Plaza incident took place *“in April 2005, Spectrum Sweater Industries Ltd. and Shahriar Fabrics buildings collapsed”* (MNC5, Int. no. 6). Another MNCs representatives explained the reasons behind factory collapses. *“The factories are expanded in a vertical manner rather than horizontal manner. Therefore, the cumulative pressure increased on the foundation of the buildings making the buildings fragile”* (MNC1, Int. no. 2). Until 2009/2010, there was a tendency to use the residential or commercial buildings for garment factories. A brand representative said, *“the residential building is made in a way that has no capacity to hold heavy machines. When different machines are in operation, the whole [residential] building starts to shake”* (MNC1, Int. no. 2).

Building safety risks

In terms of structural safety risks and building safety, the most common issue is that factory buildings do not get constructed in accordance with the architectural permit drawings or there are inconsistencies between structural drawings and actual construction. The initial evaluation reports by the Accord and Alliance shows some of their listed factories structural documents were incomplete. Moreover, the evaluation reports show non-engineered structures were common in many factories, with high column stress and cracks in the pillars / beams / columns / slabs / façades / walls. Also, insufficient walls/ pillars/ beams/ columns created a high risk in the systems of some of the factories (appendix 4.13 picture 8.ii.). Some factories had high loading on floors and roofs, caused by lack of load management with no load manager appointed. In addition, *“many factories do not have approval from Rajdhani Unnayan Kartripakkha, RAJUK²³”* (MNC1, Int. no. 1) and do not follow the Bangladesh National Building Code (BNBC) 2006.

Fire safety risks

A number of fire hazards that resulted in fatalities happened in different factories. Different interviewees explained that having factories in a shared building together with other facilities or other shops or restaurants increases the risks of fire hazards. A responsible sourcing manager

²³ Rajdhani Unnayan Kartripakkha (RAJUK) is the Capital Development Authority of the government of Bangladesh responsible for plot allotment and providing planning and construction approvals for both public and private entities. Available at: <http://www.rajukdhaka.gov.bd/rajuk/webHome>

said, *“the fire risks are very high if a factory is situated in a shared premise”* (MNC1, Int. no. 1). According to the Bangladesh Fire Prevention and Extinguishing (BFPE) Act 2003, factories need to have a safety certificate, however most of the factories do not acquire one. Common fire safety risks shown in the evaluation reports include antiquated fire protection system, inadequate smoke alarm system that do not provide automatic fire alarm notification, and no fire separation to separate exit stairs, transformer, generator, fire pumps and combustible storage rooms, unplanned storages (appendix 4.13 picture 9, 10.i. and 11.i).

Electrical safety risks

The interviewees stated that despite electrical short circuits being one of the main reasons for fire incidents, both BNBC 2006 and BFPE Act 2003 did not have a clear and elaborated instruction on who should design and implement electrical safety for an industrial building. *“Assessment in some factories showed that different fire incidents happen from electrical short circuits”* (MNC5, Int. no. 6). Evaluation reports of the factories by the Accord/Alliance show the risks of electrical safety, which are mainly the lack of maintenance and protection, for example, unprotected cables, cable laid on floor or on water drain, combustible materials/lint/dust/sand/spider web on and inside panel and transformer room, no record keeping of insulation resistance test of electrical power cables or the tests not performed in a regular manner (appendix 4.13 picture 8.i.).

5.3.1. Stakeholders coming together

The Accord and Alliance were unique associations (see table 5.3). The initiators (MNCs) had no previous experience of the management of structural safety and had limited resources, therefore, they had to collaborate. The North American brands and European brands came forward separately to form the Accord and the Alliance, because *“during the initial meeting, there was disagreement in issues such as standardisation and witness signatory”* (Alliance, Int. no 30). These two associations were not rivals or intended to be complementary, they just coexist. Although the content of the Alliance was similar to that of the Accord in terms of activities like inspections, remediation and fire safety training for factory workers and management, they had differences in participatory stakeholders. For example, the Accord had trade union as witness signatories, but the Alliance did not have witness signatories.

Table 5.3 Comparison between the Accord and the Alliance

	The Accord on Fire and Building Safety (Accord)	The Alliance for Bangladesh Worker Safety (Alliance)
Corporations ensure sufficient funds	Over 200 apparel brands, retailers and importers signatories mostly from Europe, very few from USA and Australia	Total 29-member brands and retailers mostly from North America
International NGOs, Trade Unions Witness Signatories	UNI Global Union; IndustriALL Global Union; Clean Clothes Campaign; Workers Rights Consortium; International Labor Rights Forum	None
Supporting Associations	Local NGOs, Local trade unions	Local NGOs, The United States Agency for International Development (USAID), The International Finance Corporation (IFC), University of Maryland, Bangladesh University of Engineering and Technology (BUET)
Standards	Accord Standards are largely based on the Bangladesh National Building Code (BNBC) and the Alliance for Bangladesh Worker Safety (Alliance).	Alliance standard have been harmonized with the requirements of Bangladesh National Building Code (BNBC) and the National Fire Protection Association (NFPA) and the Bangladesh Accord on Fire and Building Safety (Accord).

One of the Accord participants explained, “*you cannot take Accord’s and Alliance’s name in the same breath. Accord and Alliance are different, our governance structure is different*” (Accord, Int. no. 32). The Accord claim to have more accountability as it has witness signatories, such as international NGOs and international trade unions. Despite the differences Accord and Alliance had, they work in collaboration for the improvement of workplace safety. The collaboration started by taking each other’s standards and factory inspection reports into consideration. “*Accord accepts reports provided by Alliance since the standards are usually common. If there is a confusion, we solve it through dialogue with Alliance*” (Accord, Int. no. 31). Even though few differences exist, the main activities, such as setting standards, inspecting garments factories, public reporting of the inspection results and negotiating and regulating the remediation process were common operations for both Accord and Alliance.

Table 5.4 Orientation of Participatory Stakeholders in Standard Setting

	Participatory Stakeholders								
	International					Local			
	Corporations	NGOs	Trade union	Supporting associations	Academia	NGOs	Trade unions	Engineering firms	Suppliers
Accord	Standard-setting and remediation	Standard-setting	Standard-setting	No	No	Standard-setting and remediation	Trainings and supports of Safety Committees	Inspection	Remediation
Alliance	Standard-setting and remediation	No	No	Remediation	Standard-setting	Complain mechanism through helpline	No	Inspection	Remediation

5.3.2. Standards setting for structural safety

The Bangladesh National Building Code (BNBC) 2006 and the Bangladesh Fire Prevention and Extinguishing (BFPE) Act 2003 have some discrepancies. In BNBC, the different roles between architectural and civil engineering are not clear. Electrical safety was not elaborated in the BNBC. Most importantly, the consequences of not following the building codes were not clear. Moreover, the BFPE did not have authorisation for legal enforcement. Therefore, external standard setting for structural safety was necessary.

The Accord considered that the BNBC and their standards were the product of discussions between Accord and the ILO, the National Tripartite Plan of Action (NTPA)²⁴, and the Alliance. The Alliance, on the other hand, took into consideration the codes and standards of North America based National Fire Protection Association (NFPA)²⁵. The Alliance standards were also harmonized with the requirements of factory assessment guidelines developed by Bangladesh University of Engineering and Technology (BUET) and the Accord. Table 5.4 shows orientation of stakeholders in standard setting for the Accord and the Alliance.

5.3.3. Implementing the standards for structural safety

The implementation of standards for structural safety was carried out through the combined efforts of suppliers, MNCs, the Accord and the Alliance, where the Accord and Alliance played a role as regulators after the Rana Plaza since 2014 to 2019. Already from the formation of the standards, the MNCs were involved as advisors and the suppliers were the executors of the structural safety. In the selection process of a garment factory to be a new supplier, structural safety inspections were mandatory, together with social compliance audits. Structural standards implementation started from a factory's structural safety inspections. It then continued through negotiations with the suppliers for investing in structural improvement and public reporting of the investigation results, which is presented in this section (see figure 5.6). This can provide an understanding of the implementation of the standards for structural safety.

²⁴ The National Tripartite Plan of Action (NTPA) is a joint statement signed by Government of Bangladesh, RMG workers and RMG employers in 2013 to ensure and monitor implementation of fire safety and structural safety. Available at: <http://trade.ec.europa.eu/doclib/html/151601.htm>

²⁵ The National Fire Protection Association (NFPA) is a north America based non-profit organization devoted to eliminating death, injury, property and economic loss due to fire, electrical and related hazards. Available at: <https://www.nfpa.org/About-NFPA>

Figure 5.6 Implementation of Standards for Structural Safety

5.3.3.1. The process of structural compliance remediation

The structural safety remediation processes of the Accord and the Alliance were somewhat similar as explained by different interviewees. Ideally, a new supplier needs to go through the remediation process before they receive orders from the MNCs. After the Rana Plaza incident, ongoing suppliers needed to undertake remediation for structural safety. The remediation process started when a factory sent a request either to the Accord or the Alliance for structural safety inspections (see figure 5.7). If the factories' lead buyers were the Accord members then the factory wanted to have investigation done by the Accord. If the major buyers were American brands, then they wanted to have investigation carried out by the Alliance.

In the first stage of initial inspections, the Accord/Alliance created an ID (identity documentation) for the factory in their database. The Accord/Alliance list of factories showed the ID number for each of the factories. Upon request, the Accord/Alliance departments for inspection sent their engineers to the factories. Quite often the Accord/Alliance hired other engineering firms for inspections as they had limited manpower. A factory compliance manager assures that *“the Accord and Alliance send inspectors who are professional engineers to visit the factory premises for investigation”* (RMG1, Int. no. 11).

The inspectors performed separate fire, electrical and building safety inspections within three to five days. After that, they prepared three observation reports with pictures that indicate and list the structural safety risks. *“For every Accord and Alliance listed factory, after the inspection, the inspectors prepare three observation reports on fire, electrical and structural safety risks”* (RMG3, Int. no 13).

Figure 5.7 The remediation process for structural compliance

The factories were categorised based on colour coding (red, amber, yellow, green) depending on highest to lowest risk factors. In case the initial structural audits showed that the structural risks were extreme (red category), then the factory could be either completely or partly disqualified for production, or could be asked for further review by the Accord/Alliance panel. However, if the factories were not in immediate danger of building collapse or other hazards, then the factory could be considered as a potential sourcing factory and received an ‘Active’ status by the MNCs (see section 5.2.2.1). For factories with ‘Active Status’, the Accord/Alliance inspector team would prepare corrective action plans (CAPs) and handover the CAPs with the observation reports to the respective factories and *“based on these observation reports, they prepare corrective action plans (CAP) to propose remediation”* (RMG4, Int. no 14). The CAP was the plan of actions prepared for each factory to implement the plan to correct the assessed problems found by the inspectors. The CAP report showed the ranking of the issues based on the priorities that need immediate remediation within a specific time frame.

In the second stage, for corrective actions were performed by the factories, the factory owners together with their hired engineers or technical consultant team reviewed the observation and CAP reports. The hired engineering consultants of the factories estimated the costs of CAP and the factory owners evaluated their financial capacity for investment in the remediation process. After that, they could ask the Accord/Alliance inspectors’ team for clarifications or negotiation for a change of priorities in the CAP. The Accord/Alliance inspectors’ team then provided their reviews and comments on the factory owners proposal for change in the CAP. The factory owners and Accord/Alliance normally had several negotiation meetings before the approval of the CAP. The negotiation resulted in the final CAP report (on fire, electrical and building safety) containing detailed remediation issues that the factories agreed to implement and that report was approved by the Accord/Alliance.

Based on the suggested CAP, the factory owners invested in undertaking corrective actions in the factory premises with the assistance of their hired technical team. After taking each corrective action, factory representatives sent update reports. *“After undertaking an improvement work, we have to send Accord [or Alliance depending on which initiatives they are listed with] the update report with pictures of progress”* (RMG7, Int. no 17). In this case,

the factories' status in the Accord/Alliance list shows as 'In Progress', until, all the corrective actions are performed based on CAP recommendation.

In the third stage, after receiving the report of progresses or completion for corrective actions by the factories, the Accord/Alliance performed follow-up inspections in the respective factories. *"The MNCs also check out the 'follow-up' process to see if the corrective actions on the factories are going on as planned"* (RMG11, Int. no 21). The corrective action plan (CAP) excel sheets were updated after every follow-up inspection by the inspectors on a quarterly basis. Some factories had a first audit and then several follow up audits, because in every 'follow-up', there was at least one or several new issues found (RMG16, Int. no 26). For example, *"in an Alliance listed factory, Alliance's engineers investigated for 21 times and proposed new remediation with an updated CAP"* (RMG7, Int. no 17).

To receive the Accord remediation certification, a factory had to go through at least three follow-up and corrective actions in three stages (RMG4, Int. no 14). Most of the factories were in 'Behind Schedule' status, as they could not fulfil all the criteria of the CAP within the proposed time frame. The factory that completed all the follow-up actions of CAP, they received a certificate from the Accord/Alliance as 'Remediated'. In case of a complete failure of taking corrective actions, a factory received a letter of removal from the Accord/Alliance list of factories and is considered a non-compliant factory. Every factory had a specific remediation process as their CAP is based on their different needs, types and priorities of corrective actions.

5.3.3.2. Supplier structural safety audit

All the visited RMG factories of this research are listed either with the Accord or the Alliance, meaning they are undergoing their investigation for structural safety. In this research sample, only 3 factories (e.g. RMGs 3, 7, 15) were inspected by the Alliance and remaining 13 factories (e.g. RMG 1,2,4,5,6,8,9,10,11,12,13,14,16) by the Accord. Both the Accord and Alliance perform inspection on three safety aspects: building, electrical and fire safety. All three kinds of inspections helped to identify the structural safety risks. *"The number of audits has increased dramatically after the Rana Plaza incident"* (RMG11, Int. no. 6).

The Accord and Alliance recruited local and foreign skilled engineers, such as civil engineers, electrical engineers, diploma engineers, B.Sc. engineers, to perform investigations on fire,

electrical and building safety condition to ensure overall workplace safety based on Accord and/or Alliance standards. Because of shortage of manpower, they also hire other engineering firms, such as Woosun Energy and Construction Co., Ltd. (WEC), WAP Global Inc., Hughes Associates, Inc., Bureau Veritas.

Inspection reports of the factories show that *Building safety* audit is performed to check the pillars, structural strengths, width of walls, fans, number and width of staircases; *Electrical safety* audit is done to measure the risk of electrical short circuits; and *Fire safety* audit is done to measure the fire risk by inspecting electrical cables, machineries, number of fire extinguisher, firefighting instruments, emergency alarms, training for emergency evacuation, emergency exit, emergency access routes, locked exits and so on.

In terms of payment for the inspection, a responsible sourcing manager of a brand said that neither they nor the suppliers directly pay for the structural safety audits. She said, “we [the brands and retailers] *do not have to directly pay for these audits, being a member of Alliance. Alliance gets money from the signatory brands including us*” (MNC1, Int. no. 2).

5.3.3.3. Follow-up progress for structural safety

The engineers of the Accord/Alliance paid regular visits to check the follow-up progress if the initial investigation showed the factories had many structural safety issues. A factory compliance manager said the follow-up is needed as, “*our corrective actions have to be certified by Accord after doing the change/improvement recommended by the inspectors*” (RMG13, Int. no. 23). Most of the factory representatives claimed that they were in the process of implementing the CAP proposed by the engineers. Some factory representatives complained that “*the remediation process seems like a never-ending process of improvement to work on*” (RMG3, Int. no. 13). The factories were dealing with many obstacles. One of the main obstacles was that new observations (new findings) were adding up in the ongoing follow-up process. During the follow-up after fulfilling the requirements of CAP, sometimes the Accord/Alliance demand further improvements. In some factories, the Alliance did the first inspection, then later Accord performed more inspections in the same factory and added more requirements for improvement of the safety issues.

The MNCs also closely monitored the progress of the corrective actions performed by their suppliers. The Alliance representative mentioned that “*we have a monitoring system. We do*

follow-up. We go to factories randomly to check compliance. But we do not have enough manpower. So, the brands help and support us” (Alliance, Int. no 30). Factory representatives also had to provide updates of CAP progress to their lead brands who were members of Accord/Alliance. The MNCs ensured that the factories would carrying out the remediation process that they agreed in the CAP. The representative of a brand described *“we check the factory ‘follow-up’ status every week. If the corrective actions are not progressing according to plan, then we call the factory representatives for meeting”* (MNC8, Int. no. 10). The factory also assured that *“the brands always check the follow-up process reports on our corrective actions”* (RMG11, Int. no. 21).

5.3.3.4. Negotiation with the suppliers

The RMG factory owners often negotiated to reduce their investments in structural safety improvements. The factory owners engaged in formal bargaining as they wanted to undertake the minimum remediation based on the highest priority issues pointed out in the corrective action plans (CAPs). The Accord/Alliance (inspection panel), however, wanted the factories to remediate all the issues of structural safety identified in the investigations. The MNCs involved in negotiation as they aimed to reduce the uncertainty associated with the factory owners’ investment. On the one hand, the MNCs influenced the factory owners to undertake the remediation that were necessary in order to get structural safety compliance certification from the Accord/Alliance. On the other hand, the MNCs bargained with the Accord/Alliance on behalf of the factory owners so that their concerns of investment in structural safety were considered.

The factory owners wished for the direct financial support from the MNCs for remediation, however, *“brands do not make any financial contribution to the factories for remediation programme”* (MNC5, Int. no. 6). The MNCs claimed to improve cash-flow of the factories by pre-paying the orders for the garments, promising sourcing from them for longer period and purchasing in higher volumes. One MNC’s responsible sourcing managers informed that the factory owners could ask for help from the International Finance Corporation (IFC). *“IFC and USAID created two credit facilities by making \$100 million in low-cost financing available for the factories”* (MNC5, Int. no. 6). The official website of the Accord also shows that the IFC offered a loan guarantee scheme for Accord-listed RMG factories for investment on

remediation process. The factory representative, however, claimed there is “*lack of bank loans for capital investment*” (RMG11, Int. no. 6).

5.3.3.5. Supplier involvement

The factory owners played an important role in structural safety implementation. Even though the factory owners did not need to pay for the structural safety audits, they had to invest for remediation. “*We had to invest a lot for these safety remediation actions*” (RMG10, Int. no. 20). To define the overall role of the RMG factories for structural safety, a brand representative said, “*basically it completely depends on the factory owners, as to how well they want to co-operate to make progress on the remediation procedure*” (MNC8, Int. no. 10). This is because “*the investment on remediation based on corrective action plan was completely our voluntary initiatives*” a factory Senior Compliance Manager confirmed (RMG8, Int. no. 18). Moreover, an owner who invested in a factory building would be keen to secure his investment as it is not only the building, but also the machinery and the management representatives that are involved here (RMG8, Int. no. 18).

In addition, besides the Accord/Alliance, the involvement of the suppliers for structural safety were as far as formatting internal safety committee, providing fire safety training to their workers, giving occupational health and safety awareness programme, training in first aid for primary treatment in case of workplace injuries (appendix 4.13 picture 12). After getting training from the Accord, the factory staff provided fire safety training to the factory workers in small batches and conduct regular fire drills. The factories need to have their internal committee to maintain and address safety risks. The safety committee is a joint effort of factory workers and managers working together to find solutions to the safety problems in the workplace. Some of the sample factories representatives claimed to have a safety committee, among them some of the factories received training for the formation of safety committee from the Accord.

5.3.3.6. Public Reporting

All three of these inspection reports and CAP of each factory listed in the Accord and Alliance are available in their official website. Potential buyers (brands and retailers) want to know the status of the structural audit reports, and if the building, electrical and fire safety audit status of a factory are not satisfactory then buyers are not interested in sourcing from that factory. The

factory owners were forced to perform remediation because of the pressure from buyers (RMG5, Int. no. 15). Moreover, inspection reports and follow-up reports of the sourcing factories are shared with their current buyers and are openly published in the public domain of the Accord/Alliance to provide transparency. Therefore, “*not only the current buyers but the potential buyers can also see it, which oblige us to take corrective actions*” said a factory representative (RMG7, Int. no. 17).

5.3.4. Structural compliance performance

‘Structural compliance’ refers to complying with the Accord/Alliance standards for structural safety, which are imposed by the Accord/Alliance with the help of the MNCs. A significant progress of the Accord/Alliance is the relocation of the suppliers from unplanned risky shared commercial buildings to the relatively safer industrial buildings. Because of this investment in property, factory owners’ sense of protection of their assets make them sincere about safety issues. Previously, locking features in the exit doors and gates were a common scenario, resulting in workers being trapped during a fire breakout. This situation has been improved, as many suppliers installed certified fire doors, fire alarm system, and adequate firefighting equipment (appendix 4.13 picture 10.ii., 11.ii and 11.iii). Many suppliers appointed electricians for regular maintenance. The suppliers who were compliant with structural standards and took initiatives for workplace safety enjoyed competitive advantage in an industry where very few suppliers had structural compliance. In addition, the Accord and Alliance also influenced structural compliance by providing training on fire safety and helping suppliers form safety committees. “*The Accord provides training and support to create ‘safety committees’ in factories. Alliance provide help-line service to the workers as a complaint mechanism together with an NGO. We train workers on fire safety*” (Alliance, Int. no. 30). Workers also reported “*we all have fire safety training*” (Int. no 47). Table 5.5 shows the variety of initiatives taken by the Accord/Alliance for improving structural compliance.

Table 5.5 Structural compliance performance and unsolved issues

Structural safety issues	Steps towards structural compliance performance improvement	Unsolved issues for structural safety
Building safety	Several factories already moved from the shared premises to the industrial buildings	A shortage of qualified engineering consultancies and contractors are dallying the process.
	Unplan structures are removed	
	The corrective actions for ‘high priority’ and ‘high risks’ are already taking place.	Limited availability of required technical equipment, manpower and finance.
Electrical safety	Licensed electricians are appointed for maintenance.	The maintaining tests are not performed in a periodic manner.
Fire safety	Factories are installing a centralized and well-maintained fire alarm system	Maintenance and testing are not performed regularly.
	Certified fire doors are installed	Need to import the doors
Safety committee	Accord/Alliance influence for joint efforts from workers and managers to work together to solve safety problems in the workplace	Not all factories have formed a safety committee.
Fire safety training	The factory staffs are getting fire safety training.	The required number of people are not trained
Complain mechanisms	Help line telephone service allows the workers anonymously reporting the fire hazards and safety concerns 24/7	Some factory representatives are sceptical of the helpline.

Despite the overall progress of corrective actions, many of the suppliers faced delays, particularly for building safety improvements. Reasons for delays varies, but the delays were often “*due to limited availability of required technical equipment or shortage of qualified engineering consultancies and contractors. Delays are less frequent for improvements on electrical installations and fire risks preventions*” (MNC6, Int. no. 7). The MNCs did not directly provide financial support to the suppliers to facilitate their remediation process, but the MNCs supported the structural safety improvement by negotiating and bargaining with the suppliers. “*Brands with more sourcing from Bangladesh gave more efforts on taking health and safety initiatives*” (MNC3, Int. no. 4).

5.3.5. Structural compliance challenges

A difficult part of the structural compliance initiatives was to convince the factory owners. In the beginning, the factory owners were not so willing to let the Accord and Alliance investigate. Because most of the factory buildings were not constructed according to the Bangladesh National Building Code (BNBC) “*the factory owners had a fear that they might need to invest a huge amount of money for the remediation of building structures*” (MNC3, Int. no. 4). Similarly, another representative stated “*initially, it was difficult for the Accord [or Alliance]*

to convince the factory owners to compromise their short-term profits and invest in the remediation process” (MNC4, Int. no. 5). Moreover, many supplier contracts were terminated when they were identified as high-risk factories. The factory representative expressed his disappointment that “after the initial audits by the Alliance [or Accord], many small factories lost their production contract and had to close down which is very unfortunate” (RMG3, Int. no 13).

In addition, lack of finance, increased cost of adaptation, lack of engineering and technical knowledge hamper production and influence structural safety improvement negatively. The factory representatives lack of engineering and technical knowledge about structural safety, therefore, the factory owners have to hire engineers and technical consultants before starting the negotiations with the Accord/Alliance. There was a problem of lack of resources for the remediation process to be performed. *“In Bangladesh, the resources like certified fire safety doors that meet our standard is inadequate” (Int. no 31).* Several RMG factory representatives repeatedly said that the implementation of a corrective action plan (CAP) is difficult, as it requires a huge investment and in many cases the remediation process gets interrupted due to a lack of finance. The structural remediation process can hamper the production, as the structural reconstructions are very difficult to be carried out and inconvenient during the ongoing production process (RMG5, Int. no. 15). The factories do not have the required negotiation capability to ask their buyers to increase the price of products (RMG11, Int. no. 21).

The Accord/Alliance offer rewards for structural compliance through certificates. The MNCs impose sanctions for non-compliance by dissolving the agreement with structurally non-complying suppliers. The MNCs declared that they will not source from the suppliers who are not willing to take corrective actions. The ‘push’ from the brands has a great impact here. An American brand representative said, *“the brand always ‘chases’ the factories for investigation and ‘follow-up’ process” (MNC8, Int. no. 10).*

5.4. Workers vulnerability and community specific problems

In Bangladesh, a great number of garment workers are in poor health due to their social and economic situations. Their livelihood conditions often leave them with no option but to live and work in unsafe places. Hygiene and health are two of the major problems related to female garment workers’ wellbeing that prevent workers from coping with day to day work stress

(Rahman et al., 2015)²⁶. The interview data shows that in some cases the health risk is not only caused by physical hardship, but is also triggered by the workers' limited knowledge and awareness of their health and hygiene.

Lack of water, sanitation, and hygiene (WASH) facilities

Over 4 million people in Bangladesh lack access to pure drinking water and over 85 million people do not have access to basic sanitation as indicated by the Water-aid foundation²⁷. Among them many are factory workers. An NGO representative stated, *"female workers are unable to voice their right to have access to drinking water, sanitation and hygiene (WASH) facilities. They drink insufficient water so that they do not have to go to the toilet and this has a negative impact on their health and productivity"* (NGO5, Int. no. 37).

Limited knowledge on personal hygiene

Due to lack of supportive environment in the society, there is a general lack of knowledge of the consequences of not caring for personal hygiene. Female workers do not understand that vaginal infection is a serious disease and can be chronic (Unicomb et al., 2014)²⁸. Urinary and genital infection rates are very high among factory workers. While explaining the reason, an NGO representative stated: *"When the workers face any unusual physical problem, such as genital infection, they do not go to the doctors. Doctors are mostly males, so the girls feel shy. Many of them can't even afford to see a doctor"* (NGO3, Int. no. 35).

Lack of knowledge about reproductive health

Less educated garment workers from low-income communities not only lack awareness about personal health and hygiene, but they also lack knowledge about reproductive health. To quote one NGO agent, *"The workers keep taking contraceptive pills all month long and do not let the menstruation happen"* (NGO5, Int. no. 37). Similarly, it is also stated by another representative that: *"ensuring sexual and reproductive health and rights for workers is a big challenge for the Bangladesh Government where in general, there is less awareness"* (NGO1, Int. no. 33).

²⁶ Rahman, A., Akter, F., Akter, M., Begum, K., and Rahman, M. (2015) A focused ethnographic study on female garments workers' well-being and reproductive health, Research and Evaluation Division, BRAC centre. Available (online) at: <http://research.brac.net/new/brac-icddr-b/a-focused-ethnographic-study-on-female-garment-workers>

²⁷ <http://www.wateraid.org.bd>

²⁸ Unicomb, L., Islam, K., and Noor, K. A. (2014) Bangladesh national hygiene baseline survey: preliminary report by International Centre for Diarrheal Diseases Research, Bangladesh WaterAid Bangladesh. Ministry of Local Government Rural Development and Cooperatives, ISBN 978-984-90017-9-9.

Lack of knowledge on nutrition and balanced diet

My observations are that the garment workers, especially the female workers, are thin and weak. Reflecting on this, one NGO actor explained: “*The people with low income eat more carbohydrate to fill their stomach and do not eat a balanced diet because of poverty and lack of knowledge of nutrition* (NGO5, Int. no. 37).

Illness: High rate of anaemia, Tuberculosis (TB) and Hepatitis B

The garment workers experience a great deal of fainting and absenteeism because of anaemia and other illnesses (MNC4, Int. no. 5). The high rate of anaemia is a major public health concern for Bangladesh with estimates of national prevalence of anaemia of 74% of the population (Faraj, 2014)²⁹. This is causing a loss of productivity of the national gross domestic production (ibid). Tuberculosis (TB) is an infectious disease that can cause death if not properly treated. According to the World Health Organization Global TB report (2017)³⁰, Bangladesh is one of the 30 highest ‘TB-burdened’ countries with annual occurrence of 362,000 cases and many fatalities. The main challenges in TB prevention are poor access to good quality diagnostic services and lack of information about treatment for TB. Many people in Bangladesh are also not aware of Hepatitis B virus and put others at risk of being infected. 10 million people are estimated to be carrying the Hepatitis B virus (HBV) in Bangladesh (Chaity, 2017)³¹.

Vulnerable employment conditions

Women in Bangladesh face barriers and disadvantages in nearly every aspect of their lives because of the male dominated tradition and culture. Various interviewees informed that women workers are discriminated in terms of wages and other benefits in comparison with male workers. They also mentioned that women workers are the easiest victims of physical, verbal, sexual abuse and harassment in the factory by the supervisors and managers, as they cannot “*raise their voice*” (NGO1, Int. no 33). Women workers’ suppression and the patriarchal socio-cultural condition are the biggest challenge for women empowerment in the factory.

²⁹ Faraj, J. M. (2014) Iron Status, Inflammation and Anemia in Bangladeshi Women Exposed to Arsenic. Masters Theses 1911 – February 2014. 562, University of Massachusetts Amherst. Available (online) at: <http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1652&context=theses>

³⁰ World Health Organization (2017) World tuberculosis day 2017 published on 24 March 2017, available (online) at: <http://www.searo.who.int/bangladesh/enbanworldtb2017/en/>

³¹ Chaity, A. J. (2017) Why 10 million Bangladeshis have Hepatitis B, Dhaka Tribune, published on 28 July 2017, available (online) at: <http://www.dhakatribune.com/health/2017/07/28/10-million-bangladeshis-hepatitis-b/>

Low literacy rate, communication skills and workplace engagement

Literacy rate among adults (people aged 15 and above) is generally low in Bangladesh (World Bank, 2017)³². Literacy includes ability to understand, read and write simple statements and to do simple arithmetic calculations (ibid). Especially, the garment workers need to read and write for better understanding of the rules and responsibilities (NGO4, Int. no 36). A majority of the garment workers are low skill workers. The workers lack basic life skills for everyday communication, time management and instant decision making (NGO1, Int. no 33). Generally, women workers have less possibility to advance in their profession, for instance, to get a supervisor position, as they have lack of access to education. They need support for professional advancement and work place engagement. The representatives of the MNCs informed that the value system in the society is such that there is no respect for the workers from the factory supervisors and managers, which restricts empowering women in the factory (MNC1, Int. no 1).

Violence at work place

Violence, through physical and verbal abuse is a common disciplinary practice in the factory (NGO5, Int. no 37). The International Centre for Diarrhoea Disease Research, Bangladesh (ICDDR)³³ conducted a study during 2016 on 800 women workers of eight garments factories identifies that, about 60% of the female garment workers have experienced some forms of violence at their workplace.

Limited freedom of speech

In Bangladesh, trade union representation is common, but workers' freedom of speech is limited. Labour unrest, arrest of trade union representatives and garment workers by the police for participating in strikes is a common phenomenon (Rahman and Langford, 2014)³⁴. Workers collective bargaining negotiations often result in conflicts (NGO7, Int. no 39).

³² World Bank (2017) Literacy Rate, Adult Total for Bangladesh [SEADTLITRZSBGD], retrieved from FRED, Federal Reserve Bank of St. Louis; published on 8 November 2017, available (online) at: <https://fred.stlouisfed.org/series/SEADTLITRZSBGD>

³³ ICDDR,B (2018) 'Measuring the Effect of HER respect: An Intervention Addressing Violence against Female Garment Workers in Four Factories of Bangladesh' published by The International Centre for Diarrheal Disease Research, Bangladesh, Available (online) at: <http://ichgcp.net/clinical-trials-registry/NCT03304015>

³⁴ Rahman, Z. and Langford, T. (2014) International solidarity or renewed trade union imperialism? The AFL-CIO and garment workers in Bangladesh, Working USA: *The Journal of Labor & Society*, 17, pp. 169–186

Lack of child care centre

According to Bangladesh Labour Act 2006 (section 94), for 40+ workers, there is a requirement to have a room with safety for the children of the workers who are under the age of six (appendix 4.13 picture 16). A study found that within six months of giving birth, the breastfeeding prevalence rate falls to 21% among the RMG workers (Shefta et al. 2010)³⁵. *“We do not have child care in our factory, the new mothers need to breastfeed their child, or have to sacrifice their earnings and stay at home in poverty to take care of the child”* (Int. no. 50), thus a working woman expressed the necessity to have child care facilities in the factory.

Lack of knowledge on workers’ rights and responsibility

“Bangladesh Labour Law Acts are written in a way that they are not very easy to understand by the semi and uneducated workers, coming from a village” (Donor1, Int. no 41). When the workers learn about their rights, it is not easy to ensure implementation of their rights (Donor2, Int. no 42). In order to ensure their rights, they need some negotiation skills, communication skills, and leadership skills. Moreover, it is not enough for the workers only to learn about their socio-political rights, as expressed by the advisor of Donor1 *“knowing the rights alone is not enough, workers should be aware of their responsibilities as well”* (Int. no 41). For instance, it is the worker’s responsibility to inform the factory compliance manager about leave of absence or maternity leave. It is a socio-cultural norm in Bangladesh that if a woman becomes pregnant, she should not talk about it openly. *“Many times, it is seen that the workers do not inform the Manager about their pregnancy”* (Int. no 41). Thus, a series of problems related to workers’ lack of knowledge and understanding exists which leads to lack of empowerment and workers’ vulnerability.

5.4.1. The MNCs ethical values and CSR policies

The MNCs declare their ethical values and state their stance on responsibility for social sustainability in their official webpages. The data of the following table 5.6 was derived from the MNCs official webpages and shows that most of their ethical values are focused on employees, customers and ethical trading. The MNCs also present their CSR policies in their global responsibility (also known as corporate responsibility, ethical trading, human rights, or sustainability) report. They emphasise norms for responsible sourcing practice and worker

³⁵ Shefa, J., Rahman, M.F.U., Alamgir, M., Azad, M.A.K. and Ara, R. (2010) Awareness on breastfeeding among RMG working women in Dhaka city. *Bangladesh Journal of Medicine*, 21(2), pp. 65-70.

empowerment as their social responsibility aspects. Next, in this chapter we will see how the MNCs bring these ethical norms into practice for the sustainability of the factory workers and surrounded community development in the suppliers' factories.

Table 5.6 The statements of ethical values and CSR policies of the MNCs

MNCs	Aspects of social sustainability in MNCs ethical values	CSR policies of the MNCs for Bangladesh
MNC1	Empowerment of the front-line workers in the supply chain	- Social programmes for workers' dignity in supply chain
MNC2	Responsible sourcing and workers' welfare	- Work in partnership with global and local experts - Educational programmes that support workers and management - Partnered with Business for Social Responsibility (BSR) on the health initiative
MNC3	Women empowerment and ensuring safe and fair working conditions	- Create clothing in collaboration and partnership with other actors - Fashion made by empowering women throughout the supply chain - Supporting safe and fair working conditions
MNC4	Responsible sourcing, ensuring health and safety, and community development	- Collaborative actions with NGOs for complex problem solving - Health and safety programmes are a key component of ethical trading strategy - Community health support in the factory areas
MNC5	Empowerment of the personnel and front-line workers	Personal Advancement and Career Enhancement (P.A.C.A.) programme for women in the supply chain to enhance skills, self-esteem and productivity
MNC6	Responsible sourcing, workers empowerment through social dialogue and community development	- Collaborating with a wide range of partner organisations with specific local knowledge to address local issues - Training programme in leadership and skills development to women factory workers - Training programme to the workers and middle management about labour rights - Expand social dialogue project for the workers and factory management by supporting democratically elected workplace participatory committee - Strengthen community
MNC7	Responsible sourcing and empowerment of the front-line workers	- Working together with other organisations including retailers, key suppliers and NGOs, to tackle endemic labour issues throughout the supply chain that cannot be addressed alone - Empowering workers through supporting vulnerable groups, by preventing exploitation and improving health and education.
MNC8	Responsibility towards downstream supply chain	- Committed to working with factories who have a high standard of ethics, regard for human rights, and in compliance with all applicable laws

5.4.2. Engaging with the international and local NGOs

Different MNCs declare in their corporate social responsibility (CSR) policies that they are willing to do joint activities with global and local experts, such as NGOs, for complex problem solving on societal issues. The MNCs' ethical values and CSR policies (see table 5.6) also show that they promise to ensure workers' health and hygiene, empower workers and contribute to community development. However, the representatives of the MNCs do not have enough knowledge about how to engage with workers to promote their welfare and health. *"The brands and retailers having lack of socio-cultural knowledge, need to have NGOs on board as they cannot effectively understand and address the social problems"* (NGO6, Int. no. 38). Therefore, some MNCs develop projects together with local NGOs in workers' wellbeing and empowerment activities. Other MNCs directly provide funds to different local NGOs to undertake projects for social development. The representative of one MNC explain the reasons to implement their CSR projects with the help of local NGOs as *"the NGOs have expertise and knowledge about what should be the training material and how the training should be given. We have lack of capabilities in this area"* (MNC1, Int. no 1).

Figure 5.8 The MNCs and NGOs connections

The figure (figure 5.8) shows that the MNCs, provide funding to Donor organisations and international NGOs, for example, BRAC and Care. These Donor organisations and international NGOs also receive funding from international and governmental bodies, e.g. Danish International Development Agency (DANIDA), German governmental organisation (GIZ), Swedish Agency for International Development (Sida), UKAid, USAid, European Commission, ILO and so on (for examples see table 5.6). In addition, the MNCs fund the large local NGOs for different projects (see table 5.7). Some large local NGOs get funds from both MNCs and Donor organisations. Sometimes large NGOs subcontract their work to smaller local NGOs (e.g. NGO4 and NGO5) through a competitive bidding process. The large NGOs

carefully monitor the tasks carried out by these smaller local NGOs to ensure the consistency with the guidelines. An NGO representative claimed the “NGOs work not only in the ‘push’ factors such as activism, negotiation, and bargaining with the brands, but also in ‘pull’ factors in collaboration with brands” (NGO1, Int. no. 33).

Table 5.7 The MNCs’ funding to international organisations/NGOs for factory workers and community development

Categories	Social development projects	Implementation by local NGOs	Funding provided by Donor or other international organisations	Funding provided by the MNCs
Workers’ empowerment	Rights and responsibility training in Women Café for factory workers	NGO4, NGO7	Donor 1, German government, UKAid, etc.	MNC2, MNC4
	Implement Health Enable Returnable (HER project) Financial ability enhancement for factory workers	NGO5	Business for Social Responsibility (BSR)	MNC4
Workers’ wellbeing	Implement Health Enable Returnable (HER project) health hygiene - Friends for Health ‘Shastho Shokhi’, factory workers in 6 factories	NGO3	Business for Social Responsibility (BSR)	MNC1
	HER health hygiene - Friends for Health ‘Shastho Shokhi’ 10 factories (13,362 women workers)	NGO3		MNC2
	HER health hygiene - Friends for Health ‘Shastho Shokhi’ (10,000 women workers)	NGO3		MNC4
	HER health hygiene - Friends for Health ‘Shastho Shokhi’	NGO3		MNC5
	HER health nutrition, factory workers	NGO5		
Community development	Access to water, sanitation and hygiene (WASH) facilities for community of 60,000 people between 2011 and 2015.		UNISEF	MNC4
	Access to water, sanitation and hygiene (WASH) facilities		UNISEF and USAid	MNC5
	Access to water, sanitation and hygiene (WASH) facilities that benefited 14 supplier factories, 15 schools and low-income community located by the factories.		Water Aid	MNC6
	Capability building training, skill development training to the women in the community to become factory workers	NGO2, NGO5	Donor 2, Swedish International Development Cooperation Agency (Sida)	MNC6

5.4.3. Initiating Social Development Projects

When the RMG industry of Bangladesh goes through challenges, the joint social development projects between MNCs and NGOs, play a vital role in finding ways to prevent an impending crisis. The different CSR policies of MNCs and involvement with the NGOs for social development can be divided into three broad categories: *workers' health for wellbeing* and *workers' rights for empowering*, along with *community development*. The categorisation is based on the immediate actions needed to address the problem on hand and development for long-term sustainability. The projects for workers' health involve the immediate need for performance and wellbeing of the workers to provide them with treatment and make the workers aware through health awareness programmes. The projects for long term empowerment of the workers include literacy education training, life skill development training, awareness development trainings for rights and responsibility, leadership and women empowerment training. The following table presents the social development projects of the MNCs and the NGOs (see table 5.8). The social development projects are the results of the MNCs CSR policies. All but one of the MNCs within the sample have CSR policies for social development, however, not all the factories have participated in the social development projects. The MNCs' implementation of CSR policies with the help of NGOs requires involvement and support of the factory representatives. Factory representatives also get to understand the need to facilitate the environment for workers' training and development.

Table 5.8 The MNCs and NGOs joint projects for factory workers empowerment and wellbeing

Categories	Social Development Projects	Local NGOs	NGO's Mission	MNC's CSR policies	MNCs
Workers' empowerment	Life skill development programme, 56,000 workers	NGO1	A special focus on working with women among many other socio-economic development issues	Empowerment of the front-line workers and programmes for workers' dignity in supply chain	MNC1
	Leadership and capabilities building, 30 factories				
	Capability building aim for the factory management/ supervisors				
	Literacy enhancement programme 3 years 50 learning centres, 1500 workers	NGO4	Economic empowerment of women		
	Work place engagement and empowerment, for 3000 workers in 16 factories				
Workers' empowerment	Leadership and capabilities building programme	NGO1 (proposal stage)	Focus on working with women	Educational programmes that support workers and management	MNC2
	Rights and responsibility posters	NGO4	Economic empowerment of women		
	Trainings on social dialogue	NGO5	Health enhancement, ensure leadership and labour rights		
Workers' wellbeing	Health and nutrition programme				
Workers' empowerment	Financial ability enhancement learning banking and budgeting	NGO5	Health enhancement, ensure leadership and labour rights	Fashion made by empowering women throughout the supply chain	MNC3
	Leadership and capabilities building, 2.5 years project 8000 workers				
	Trainings on social dialogue				
Workers' wellbeing	Awareness of menstrual hygiene management (MHM) by providing hygiene products to the workers in a discount rate	NGO3	Implement Health Enable Returnable (HER project)	Health and safety improvement are a key component of ethical trading strategy	MNC4
	Health projects for Anemia - Project Hope in 7 factories				
	Health and nutrition - HALLO project, 2 years	NGO1	A special focus on working with women among many other socio-economic development issues		
	Hepatitis B-virus vaccination				
Workers' empowerment	Capability building - for the factory management/supervisors				
	Training on non-discrimination and harassment, 2 years pilot project				
	Child care facility in the factory 'Kichir-Michir' in 300 factories	NGO2	Development of women and children		
Workers' empowerment	Life skill development programme, 60,000 workers	NGO1	Working with marginalised women	Enhance skills, self-esteem and productivity of the women in the supply chain	MNC5
	Literacy enhancement programme – blooming flower - 'Koli project'	NGO4	Economic empowerment of women		
	Work place engagement and empowerment	NGO5	Ensure leadership and labour rights		
Workers' empowerment	'Help line' and training on non-discrimination and harassment	NGO6	Work for gender equality and gender responsive governance	Expand social dialogue project for the workers and factory management	MNC6
	Trainings on social dialogue - Let's Talk in 234 factories				
	Training for the formation of workers' participatory committee since 2011 40% of the suppliers of MNC6 include 150,000 workers				
Workers' empowerment	Child care facility in the factory 'Kichir-Michir' in 300 factories	NGO2	Development of women and children	Empowering workers by preventing exploitation and improving health and education	MNC7
	Life skill development programme	NGO4	Economic empowerment of women		
	None			Committed to working with factories who have a high standard of ethics, regard for human rights, and in compliance with all applicable laws	MNC8

5.4.3.1. Projects development

When the MNCs initiate a project with NGOs, they contact either the NGOs that they have maintained previous economic relationships with, or the NGOs that have a well-known expertise in an area of interest of the MNCs. The responsible sourcing managers of the MNCs have a good relationship with the NGO representatives. In some cases, NGOs (e.g. NGO1, NGO2, NGO3, NGO6) take the initiatives to prepare a project plan and offer it to the MNCs for funding. While in other cases the brands (e.g. MNC1, MNC5, MNC7) come with a project to implement with the NGOs. An NGO representative mentioned *“first [...] they approach us to develop a project about leadership and capability building of the workers, as we have been working on this issue for 10-15 years”* (NGO1, Int. no. 33). The MNCs delegate the responsibility to implement the project to the NGOs. There have also been projects for community development (e.g. water, sanitation, and hygiene facilities), worker health and wellbeing (e.g. reducing anaemia, tuberculosis (TB) and hepatitis B, etc), worker empowerment (through literacy enhancement, child care development, life skill development, workplace engagement, leadership and capability building, etc) and so on.

5.4.3.2. Implementation of the projects

The implementation of a project varies based on the number of participants and the purpose of the project. For example, a local NGO implemented Health Enable Returnable (HER project) in 150 factories in co-operation with 20 brands and retailers (MNC1,2,4 are among them) (NGO3, Int. no. 35). This NGO started working as a local partner of Business for Social Responsibility³⁶ (BSR) in 2010 to implement the HER project through the “Shastho Shokhi” (*friends for health*) programme for women working in the factories to increase women’s health awareness. They provide training on health and hygiene, reproductive and maternal health, and awareness of HIV-AIDS issues. For health-related projects, the NGOs use peer-to-peer training and prefer a participatory approach over giving lectures. Some NGOs have developed colourful posters with illustrations and rhymes, so that less educated workers can understand their ‘rights and responsibility’ and develop awareness on health and nutrition, maternity leave and allowances (appendix 4.13 picture 15).

³⁶ Business for Social Responsibility (BSR) works with a global network of more than 250-member companies including MNCs to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. BSR through their HER project explored the different needs of women working in factories and provides health education to create women health awareness. BSR has local partner NGOs (e.g. NGO3) in Bangladesh. They implement the ‘*friends for health*’ programme under HER project for women working in the factories.

The NGOs have helped the MNCs translate their code of conducts into Bengali (language), so that the workers can read and understand their rights. The MNCs have donated to international donor organisations, such as the German government development agency, GIZ. With the help of local NGOs, the GIZ, facilitated ‘*women café club*’, which is a bottom-up social development programme where the factory workers can share ideas and problems with one another and attend literacy training, (Int. no 41). The *rights and responsibility training* are given through folk songs, audio-visual materials and short films provided by different NGOs (NGO7, Int. no 39). A Sweden-based organisation’s (Int. no 44) project funded by some MNCs provides electronic tablets to the garment workers where they can watch a short documentary about rights and responsibilities to learn how to take responsibility in a given situation. After that they have to answer quiz-based questions to verify their knowledge, this project was executed in RMG8. A women empowerment project of an MNC was implemented by local NGOs where they use case study discussions, lecturing, and life relevant examples to the workers (NGO4, Int. no 36). Moreover, the foundation training of the leadership and capability building programme uses photos, short films and open discussion to motivate workers to change their thoughts about ‘women’ for equal rights (NGO1, Int.no 33).

5.4.3.3. Monitoring of the project progress

Some but not all MNCs have a monitoring mechanism for the social development projects. For instance, the helpline service provided by one NGO and health awareness programme of another NGO have follow-up procedures. For the follow-up procedure, factory management are asked to provide their ‘session plan’ for peer-to-peer training or to distribute information to the workers (NGO2, Int. no. 34). Moreover, workers who participate in the training need to sign a document after every session to keep evidence that they have participated (e.g. NGO1,3,6). Leadership and capability building programmes initiated by different MNCs and local NGOs are ongoing initiatives and are run on a long-term basis (NGO5, Int. no 37). The progress reports of the women empowerment and leadership building training by NGOs are shared with the factory owners and MNCs’ representatives for follow-up purposes. “*We shared the progress information to the factory owners and funding MNCs*” (NGO1, Int. no 33).

5.4.3.4. Project evaluation

The MNCs who are funding social development projects evaluate the result of the projects. The evaluation points are indicative of whether the project outcome is consistent, and the goal is achieved. The MNCs evaluate a project achievement based on if the targeted number of workers

and the target population have been reached. For example, the success of the MNCs funded help line telephone service was evaluated based on how many workers the service is available for (e.g. it is available to 1,045,670 workers of 800 factories) (NGO2, Int. no. 34) (appendix 4.13 picture 13). For another NGO's HER project health awareness programme was evaluated by the number of participants, e.g. 10 factories where 800 female coaches were trained and over 13,362 women workers were educated on health and hygiene issues (NGO3, Int. no. 35). Furthermore, an MNC claimed that their 234 supplier factories out of 287 (82%) were trained by NGOs (e.g. NGO6) on social dialogue and workers' rights during 2015 (MNC6, Int. no. 7).

5.4.3.5. Participation of managers and workers

Participation is another important factor as these social development projects require not only workers' participation, but also managers' participation in discussion, training, and dialogue. All the actors need to engage voluntarily. The NGOs in co-operation with the MNCs run their operation inside the factories, or in the surrounding community areas of the factories. The MNCs consider the support of the suppliers, meaning how much the suppliers support the NGOs to meet the goal of providing training and run an awareness programme. An NGO representative stated, *"factory owners and top management agreed to let us work with their workers just because of the buyer requirements"* (NGO3, Int. no. 35). The suppliers were initially reluctant to admit NGO activities in their premises, but eventually allowed NGO activities due to a strong recommendation from the MNCs. For example, 11 sample factories among 16 are confirmed to have NGO participation. Some MNCs declare to reward supplier factories that *"go the extra mile"* in facilitating these social development projects (NGO6, Int. no. 38).

One example of factory managers' involvement in social development projects is a social dialogue project called *'Let's Talk'* (MNC6, Int. no. 7), where workers and mid-level managers in factories learn to communicate to resolve conflicting interests. Similar kinds of training projects to improve the factory environment and to improve the relationship between the manager and workers have been provided by other NGOs. Another project to train the workers on health and wellbeing started from top management, then in the second month continued with the mid-level management, and in the third month the basic training for the workers was provided. (NGO3, Int. no. 35). The MNCs aim is to help their suppliers, so that they can take ownership of their own sustainability. With the NGOs, they train the suppliers *"increasing awareness and capability building of the management"* (NGO6, Int. no 38). Capability building

programmes are aimed at factory management and supervisors, so that they can improve their management practices and create a favourable environment inside the factory.

There is a general belief among the factory representatives that managing workers who are involved in trade unions is difficult (RMG10, Int. no. 20). *“Under the shelter of the trade union, workers become powerful and unruly. They create disturbance in the regular operations of the factory”* (RMG5, Int. no. 15). An MNC has encouraged factory representatives to develop a parallel means of the trade union for the independent and free association and bargaining, known as Workers’ Participatory Committee (WPC). To form WPC, factories need to have a democratically-elected factory-based worker representation every two years. The observations of the RMG factories show that a small number of them are experiencing these initiatives by the help of MNCs and NGOs.

5.4.3.6. Social development projects in CSR or sustainability report

The MNCs present their social development project success stories in their yearly CSR or sustainability reports. The NGOs have to submit periodic fiscal and performance reports of their projects’ progress to the MNCs. Most of the time, upon completion of a project, the MNCs continue working with the same NGO in a new project (NGO1, Int. no 33). In case an NGO does not fulfil the commitment of delivering agreed-upon efforts to implement social development projects, the MNCs will not work with them or fund their projects in future (MNC6, Int. no. 7). Both the MNCs and the NGOs websites show their joint work projects on social development, while doing so the NGOs disclose their donors’ names and the MNCs mention names of the participatory local NGOs.

5.4.4. Social development performance

The analysis of the empirical material shows to what extent MNCs’ ethical values and the CSR policies are put into actions for social development in the suppliers’ country. The MNCs involve with local NGOs to develop and implement different projects for immediate wellbeing needs of the workers and for enhancing worker dignity for long term empowerment. These findings do not fall in the cradle of empowerment versus vulnerability of the garment workers. Rather open up a discussion point for MNCs-NGO involvement in the joint projects for social development (see table 5.9).

Table 5.9 Social development through the MNCs and the NGOs joint projects

Workers Vulnerability and community specific problems	Steps towards social development	Issues that are not yet solved through social development projects
Workers' wellbeing urgent health and hygiene needs to address		
Lack of water, sanitation, and hygiene (WASH) facilities in the community	Projects for access to water, sanitation, and hygiene (WASH) facilities in the factories and community	Insufficient sanitation and hygiene facilities
Limited knowledge on personal hygiene	Menstrual hygiene management (MHM) training and providing sanitary products in a discount rate	Inadequate effort considering the need and health deterioration effects.
Lack of knowledge about reproductive health	'Friends for Health' projects under Health Enable Returnable (HER project)	Needs to strengthen the 'follow up' process for peers training
Lack of knowledge on nutrition and balanced diet	Projects on health and nutrition awareness	Health and nutrition awareness project are limited
High rate of anaemia	Health projects for reducing anaemia and providing iron tablets	These projects have a narrow reach
Lack of information about treatment for Tuberculosis (TB) and Hepatitis B	Medicine for Tuberculosis (TB) and Hepatitis B vaccination	The scope of this is not extended beyond few factories
Workers' empowerment for long term effects		
Low literacy rate	Literacy enhancement programme	The success of attendance or redundancy rate of these programme is unknown to the public
Lack of personal skills in time management and communication	Life skill development programme	The outcome of life skill development programme is unknown as it is still ongoing
Limited work place engagement	Workplace engagement programme	Workers are not interested in this programme as they feel tired during the training
Limitation on leadership and capability building	Leadership and capability building projects	Workers are not interested in this programme as they think this can bring more work load
Limited knowledge in handling finance	Finance handling ability enhancement programme	Socio-cultural challenge for financial ability enhancement
Lack of capability of the factory managers for handling conflict with the workers	Capability building programme aim for the factory management/supervisors	Many factory managers are genuinely not interested
Violence at workplace	Training on non-discrimination and preventing harassment	These training programmes are inadequate compare to the need
Limitation on initiating social dialogue	Training on social dialogue for factory managers and workers	These training on social are provided only few factories
Limited freedom of speech and workers' participation in conflict handling	Training for the formation of workers' participatory committee	Training provided only by one MNC for helping the factory representatives in formatting the participation committee (PC).
Lack of knowledge on workers' rights and responsibility	Training on rights and responsibility that works like to participate	Only few workers are under the scope of these training programme
Limited child care	Child care setup in many factories	Limited number of capacities in a child care and only few factories have child care

5.4.5. Social development challenges

The challenges of socio-cultural and socio-political development are enormous. The MNCs are addressing these challenges by taking different initiatives with the NGOs in a limited scope. However, there are challenges when it comes to implementing these social development projects and some of the challenges emanate from the workers and suppliers.

Challenges from the workers

It is difficult for the workers to study at night after a whole day of hard work, sacrificing their family time. “*We have a project with an NGO since 2012 in ‘empowerment’ training*” (MNC1, Int. no 1). In this training sessions the workers are found to be tired and inattentive. It would be convenient for the workers to effectively participate in the training sessions if they can get time off from their regular work responsibility for attending the training programmes (NGO4, Int. no 36).

The factory representative informed that, after getting the training on the ‘*leadership and capability building*’, workers get promoted from helper to operator, from operator to supervisor, and from supervisor to line manager (e.g. RMG 2,3, and15). There is an example of one of the workers who started as a cutting operator and climbed up to the position of assistant general manager after receiving these trainings. However, various workers informed they are not interested in promotion. For instance, a worker said that, even though she has been working in the same position for about 10 years, she does not want to be promoted from ‘helper’ to ‘operator’, as promotion brings more responsibility, (Int. no 46). A sewing machine operator with 3 years’ work experience said the same: “*I do not want to attend any training on leadership building because it requires extra working hours and [...] then promotion brings extra responsibility*” (Int. no 47).

However, there are examples of when workers embrace the training programme as well. Another representative gave an example of ‘right and responsibility’ training programme which workers enjoyed to participate because of the interesting format³⁷ of the training and the place

³⁷ A donor organisation (also funded by the MNCs) with their supportive small NGOs run a unique project for rights and responsibility in a training centre - ‘*Women Café*’. The workers are responsible to manage this place. The Café is open every day during evening except Friday (weekends). There the workers learn about different labour laws through ‘Info Entertainment’, for instance by playing ‘*Fia med knuff*’ or ‘*Ludo*’ (board game). During playing games, if a player loses a piece she is stopped and asked a question about labour law, for example, what is the rate of overtime, for how long a labour can work voluntarily, what is casual leave, what is minimum wage, etc. Prior to this event, they are more or less taught about it. So, during the board game, they naturally feel interested about it and comes to know about their own rights.

known as 'Women Café' (Int. no 41). This training centre is situated not inside the factory, but in the nearby factory areas. *"There the workers share their problems, frustration and ideas. It is a breathing space for them"* (NGO7, Int. no 39).

Challenges from the suppliers

The factory managers do not have enough knowledge about how to empower workers and engage workers in dispute resolution. Therefore, safety, security, health hazards and abuse are still existing. *"We provide training to the factory management with an MNC about 'violence against women', where the aim is to make them gender oriented. We cannot empower women workers unless they can get a favourable environment to apply their learning"* (NGO6, Int. no. 38). Therefore, providing training to the factory management is necessary.

However, the main challenge comes from the factory representatives when they are unwilling to let their workers get training from the NGOs. *"The factory managers take our initiatives as a hassle and interruption in production"* (NGO4, Int. no 36). The MNCs have to involve in convincing the factory managers to allow the NGOs to carry out their projects on the factory premises. *"Being worker friendly is not a common practice in this industry"* (MNC1, Int. no. 1).

Some factory representatives are sceptical of the social development projects (e.g. RMG4, 6,7,10,13), because they are afraid that the workers might report false allegations against management. The NGOs and the MNCs are aware of the situation and have stated that *"50% factory management do not distribute our posters of rights and responsibilities to the workers, that contain our contact information"* (NGO5, Int. no 37). Because of this, the MNCs ask their suppliers to send the detailed training plan and participant attendance lists.

While asking about the workers' training and development programme, an NGO representative informed that the factory management are not always willing to provide time and opportunity for (the *friends for health*) training, as the production time needs to be sacrificed (NGO3, Int. no. 35). Sometimes the factory managers falsely replicate the signature of the workers to show that they have attended the (*friends for health*) training session, where in reality, they have not (Welfare officer, Int. no 45). Mostly, after the training is over, there is no follow-up from the NGOs or MNCs to identify to what extent the training benefited the workers.

5.5. Chapter summary

From looking at three crucial problems, namely, social issues, structural safety issues, and workers' vulnerability and community specific problems, we can now see a clear picture of the different supply chain actors that are involved with each other to ensure social sustainability in the form of social compliance, structural compliance, and social development. We can identify three paths of sustainable supply chain governance mechanisms:

Path 1: The journey of the MNCs and their suppliers towards attaining social compliance are interpreted as control-based governance mechanisms. This is because using these mechanisms in the various attempts of auditing, training and monitoring, the MNCs themselves are enforcing their codes of conduct on their suppliers.

Path 2: The MNCs' collaboration with each-other and the formation of the Accord/Alliance are sincere efforts for structural compliance, interpreted as multi-stakeholder initiatives-based governance mechanisms. The logic behind this lies in the fact that the Accord/Alliance is composed of the collaborative initiatives of multiple stakeholders. In this case, the multi-stakeholder initiatives are the rule maker, the suppliers are the rule-targets, and the MNCs are the initiators of the path towards structural compliance.

Path 3: The ambitious projects for social development of the MNCs and the NGOs are interpreted as cross-sectoral co-operation. Cross-sectoral co-operation is generally made up of voluntary relationships between organisations, where physical and nonphysical resources are exchanged for the purposes that serve the individual goal of common interests (Ring and van de Ven, 1994). Based on this view, we can see that the MNCs want to implement their CSR policies in the suppliers' domain and the NGOs want to accomplish their mission which is to enhance the wellbeing of the workers and empowering the workers. Together, they find common ways to undertake a number of social development projects.

The buyer's perception of facing constraints while engaging in governance mechanisms has been identified. The study also investigates the actual perception of the suppliers of governance mechanisms. The study shows that, attempts towards compliance create with intended and unintended consequences for the suppliers. This will be highlighted in the following chapter, which will also give an in-depth analysis of the interpretation of these three paths.

Chapter 6. Supply Chain Governance Mechanisms for Social Sustainability

This chapter presents a discussion of governance mechanisms for a socially sustainable supply chain, while providing an answer to the first research question: *How are governance mechanisms applied and what effect do these governance mechanisms have on suppliers' social sustainability?* The chapter highlights the journey from problems, such as lack of CoC implementation, structural safety issues, workers' vulnerability and community specific problems that were discussed in previous chapter, to governance mechanisms that are applied to manage those problems, using three distinctive 'paths'. The three paths are: (i) journey from CoC to social compliance attempts, (ii) journey from disaster to structural compliance efforts, and (iii) journey from identifying workers' wellbeing and empowerment related problems and community specific problems to social development aspirations (see figure 6.1).

Figure 6.1 Supply Chain Governance Mechanisms for Social Sustainability from the Corporate and the Supply Chain perspectives

On the corporate level, multinational corporations develop reactive, defensive, proactive strategies and rights, risks, needs -based approaches to address these problems. We also see, how in these separate paths, different governance mechanisms, such as control, multi-stakeholder and cross-sectoral based are applied in the supply chain level to improve social sustainability. This chapter explains governance mechanisms through matching and mixing

with the sustainable supply chain governance (SSCG) literature, described in chapter 2. In addition, the most critical challenges of governance mechanisms are presented from the point of view of the responsible sourcing managers working in the multinational companies. Also, the consequences of the governance mechanisms are identified from the point of view of the suppliers. See overview of this chapter in table 6.1.

Table 6.1 Overview of chapter 6

Paths of the governance mechanisms	6.1. The first path – from CoC to social compliance attempts	6.2. The second path – from disaster to structural compliance efforts	6.3. The third path – social development aspiration
Corporation level	6.1.1. Reactive strategy 6.1.2. Right-based approach	6.2.1. Defensive strategy 6.2.2. Risks-based approach	6.3.1. Proactive strategy 6.3.2. Needs-based approach
Supply chain level	6.1.3. Control-based governance mechanisms	6.2.3. Multi-stakeholder-based governance mechanisms	6.3.3. Cross-sectoral-based governance mechanisms
A set of governance mechanisms	<ul style="list-style-type: none"> - Supplier selection - Supplier assessment for social compliance - Supplier evaluation for social compliance - Supplier development for social compliance - Supplier monitoring for social compliance - Social compliance reporting - Outcomes of social compliance 	<ul style="list-style-type: none"> - Inclusiveness of stakeholders in multi-stakeholder initiatives - Standards setting for structural safety - Remediation process for structural safety - Supplier assessment for structural safety - Evaluating suppliers progress for structural safety - Negotiation with the suppliers - Supplier involvement for structural safety - Public reporting of structural compliance - Outcomes of structural compliance 	<ul style="list-style-type: none"> - Implementation of the social development projects - Project evaluation - Participation of managers and workers - Reporting on social development projects - Outcomes of social development projects
Challenges faced by the buyers (MNCs)	6.1.4. Challenges for buyers in control-based system	6.2.4. Challenges for buyers in multi-stakeholder-based system	6.3.4. Challenges for buyers in cross-sectoral-based system
Consequences of the mechanisms on suppliers	6.1.5. Consequences of control-based system on suppliers	6.2.5. Consequences of multi-stakeholder-based system on suppliers	6.3.5. Consequences of cross-sectoral-based system on workers and communities

6.1. The first path – from CoC to social compliance attempts

The first path includes the implementation of codes of conduct as attempts to bring about social compliance. The number of private voluntary codes of conduct (CoC) driven by individual companies has dramatically increased over the last decades (Locke, 2013; Preuss, 2009). The multinational corporations that have been studied in this research have CoC for the suppliers which reflect basic ILO principles regarding child labour, wages and hours, protection of health and safety, treatment of women and other aspects of human rights. Many of these MNCs ratified fundamental ILO conventions and several European MNCs have acquired their CoC from the codes of Ethical Trading Initiative (ETI)³⁸. However, ILO or ETI do not have any mandate for monitoring the implementation of these CoC.

There is a debate among researchers whether or not the effective implementation of CoC through buyer-driven self-regulatory control of their suppliers, can be effective enough due to its voluntary nature, in achieving suppliers' social compliance (Egels-Zandén and Lindholm, 2015; Scheiber, 2013; Preuss, 2009; Locke, 2013; Locke et al., 2009; Boyd et al., 2007). The findings of the current study indicate that corporations enforce CoC through supplier assessment in order to investigate whether or not suppliers are complying with CoC as well as with national law and legal requirements. The CoC implementation goes beyond its boundaries by including the assessment of the legal provisions of national law that can create positive effects on human rights (see chapter 5 section 5.2.1). In contrast, the challenge of CoC implementation is that corporations often push the obligation of implementation down to their suppliers and the suppliers' subcontractors, resulting the fact that in social compliance issues sometimes remain unsatisfactory.

To a great extent CoC implementation, depends on how well codes are adapted by suppliers as CoC followers. The drawback is that suppliers need to deal with the multiple codes of different buyers (Huq et al., 2014a). Analysis of the different MNCs' CoCs shows that the categories and contents of the CoCs differs for every buyer (see chapter 5 section 5.2.1.). Findings also show that despite getting training in CoCs from buyers, some suppliers interpret the multiple CoCs of different buyers as a similar entity of CoC standards. Due to the multiplicity and

³⁸ ETI is established by the UK Department for International Development and the codes are converging around basic principles of ILO (O'Rourke, 2006).

plurality of CoCs, some suppliers wish to avoid implementing any of the CoCs at all. However, since they are eager to continue the business relationship with the MNCs, regardless of their interpretation of the CoC, the suppliers agree to work with the enforcement mechanisms of audits and monitoring.

The “first path” from CoC to social compliance attempts comprises first the reactive strategy (6.1.1) and rights-based approach (6.1.2) to show the corporate level perspective of establishing the CoC and attempting to increase the social compliance of their suppliers. After that, on the supply chain level, the control-based governance mechanisms (6.1.3) are discussed. These include supplier assessment evaluation, supplier development, monitoring, reporting, and outcomes of social compliance. This is followed by identifying the challenges faced by the buyers in enforcing control-based mechanisms (6.1.4) and its consequences on suppliers (6.1.5).

6.1.1. Reactive strategy

The MNCs have *reactive strategies* (Clarkson, 1995) for establishing CoC and dealing with the suppliers on social issues. The MNCs started formatting CoC mainly when they experienced pressure from customers, international NGOs, media, trade unions, competitors and other external parties, as indicated in the previous research (Walker and Jones, 2012; Perez-Batres et al., 2012). This is an example of MNCs undertaking a reactive strategy, to stakeholder pressure. However, many of the MNCs studied here accept their responsibility for their suppliers. These MNCs do all that is required to implement their CoC and influence their suppliers to comply with the minimum legislation. This is an accommodative strategy for CoC implementation.

Moreover, the MNCs hold *hierarchical accountability* (Grant and Keohane, 2005) as they are the norm creators in the sense of creating or adopting codes of conduct, while suppliers are norm followers or norm violators. Some suppliers intended to deny responsibility and do less than they committed to do in the agreement of ‘standards of suppliers’³⁹. The findings (see chapter 5 section 5.2.2) show that MNCs collect very specific information through audits and the information is about whether or not their suppliers complying with the norms, the standards, e.g. codes of conduct.

³⁹ Suppliers sign the ‘standards of suppliers’ document to agree to comply with MNCs’ codes of conduct

Only a few suppliers are working towards social compliance in a proactive way. Mostly, suppliers take advantage of lax labour legislative systems for every non-compliance by reasoning - “*buyers did not ask for it*”, as was described by an MNC’s representative. The suppliers mostly adopt the CoC reactively, as suppliers follow the CoC if buyers push them to follow it. The reason for this could be that imposing sanctions creates a ‘weak point’ in the accountability of the suppliers, as it can only be implemented by the powerful agents.

6.1.2. Rights-based approach

In a purely rights-based approach, the states are the enforcers of the law to protect human rights (Rubenstein, 2007). However, we have seen in the context of this research that the state is inconsistent in enforcing the law, and hence, the MNCs take the ***rights-based approach*** themselves. The rights-based approach is a top-down command and control system in the supply chain (Frostenson and Prenkert, 2015) and is applied through the CoC and standards of the suppliers. Some researchers find the top-down approach problematic because of the hierarchical implementation of CoCs by developing country buyers (Awaysheh and Klassen, 2010). The findings of this research show that formatting the CoC of the MNCs and its implementation is a top-down approach, that is complemented by the boundary spanners⁴⁰ (Williams, 2002) who are the responsible sourcing managers of the MNCs in the subsidiaries of the host country. As boundary spanners, the responsible sourcing managers, have an autonomy in decision making for CoC implementation in the supply chain, as they deal with day to day social issues with the suppliers in order to ensure human rights. Due to the complexity of the supply chain where multiple suppliers participate, ambiguous or unclear lines of command can be problematic, therefore, having boundary spanners are useful.

6.1.3. Control-based governance mechanisms

The current study shows that buyer control-based governance sometimes creates strong enforcement on the suppliers to comply with CoC as well as with local regulations. The MNCs play a significant role in control-based governance by controlling their suppliers through supplier assessment, auditing in their supplier factory, evaluating or ranking the suppliers, and frequently monitoring them. To what extent control-based governance helps to achieve higher social sustainability standards for suppliers, is discussed in this section. Many researchers claim

⁴⁰ Boundary spanner is the person or group of people who link and bridging interests the organisations internal entities with external organisations (William, 2002).

that control-based governance mechanisms can act as a substitute for governmental regulations, when the regulations of the host country government are weak and poorly enforced because of high corruption levels (Huq et al, 2016; 2014a; Locke, 2013; Andersen and Skjoett-Larsen, 2009; Jiang, 2009a; Klassen and Vachon, 2003). Critics have also questioned the efficiency of these forms of mechanisms, because the buyers can push the accountability onto their suppliers (Welford and Frost, 2006; Sinkovics et al., 2016).

Supplier-selection

Supplier selection is considered as the starting point of socially responsible purchasing (Reuter et al., 2010; Liu et al., 2009). The findings of this research show that buyers either involve intermediaries or a small number of responsible sourcing professionals in their subsidiary at the country of production to act as boundary spanners or gatekeepers in supplier selection and establishing the buyer–supplier relationship. The findings also show that the supplier selection process has three stages (see chapter 5 section 5.2.2.1.). At the **early stage**, the potential suppliers have to answer some self-informatory basic questions about the size of their premises including the numbers of floors and production capacity, number of the workers, number of people responsible for social compliance issues and so on. If the answers satisfy the minimum requirements of the MNC’s CoC, then the suppliers ask to sign the ‘standard of suppliers’ agreement which is a commitment for ensuring compliance with CoC. In the **second stage**, the suppliers are required to undergo the ‘initial auditing’ for compliance condition assessment. This type of assessment, where the buyers are in the governing position to evaluate suppliers’ compliance with CoC requirements and the national law, is known as the social compliance assessment. Since the Rana Plaza factory building collapsed, the suppliers have to have a structural safety assessment (see discussion in section 6.2.5). In the **last stage**, if the assessments show non-compliances with CoC, then the supplier is either not accepted for production, or can get some buffering time for improvement and re-assessment. In contrast, suppliers with an acceptable CoC and local law compliance, are allowed to enter a trading partnership and receive orders from the buyers. Figure 6.2 shows the control-based governance mechanisms for the suppliers.

Figure 6.2 The Control-based Governance Mechanisms

Supplier Assessment for Social Compliance

The assessment of new and existing suppliers is important because it helps to implement the CoC through a control-based system (Kar and Pani, 2014; Chai et al. 2013; Andersen and Skjoett-Larsen, 2009; Jiang, 2009a). The findings of this research show that buyer-driven supplier assessment has equal significance for both new and existing suppliers. However, investigating six fashion and apparel brands Winter and Lasch (2016) claim that the environmental and social criteria of CoC are strictly assessed mainly for selecting new suppliers, but are less applied to the assessment of existing suppliers. For existing suppliers, assessments are performed in announced, unannounced, or semi-announced ways (see chapter 5 section 5.2.2.2). The buyer-driven assessment includes different auditing and monitoring techniques (see section 5.2.2.3), such as buyers-lead auditing, third-party external auditing, external accredited auditing and suppliers' self-auditing systems. Each of these auditing practices has its own limitations and advantages. For example, findings show that the involvement of third-party auditing creates possibility for unethical practices on the part of the suppliers, such as bribing the auditors, and therefore, many buyers are taking over control. Some buyers who are still dependent on third-party auditing, also perform complementary buyers-lead in-house audits on their suppliers.

To a lesser extent there is involvement by external accredited auditing organisations, such as SEDEX, SA8000 and WRAP, where in some cases, such as SEDEX the buyers are the founding members. However, some buyers do not encourage accredited auditing, as they believe they will lose some of their control over suppliers. Within the control-based governance mechanisms, buyers seldom allow suppliers to self-monitoring, instead of being a rule-followers (who is being monitored). There is example from one buyer who shows “*a sign of trust*” towards their suppliers and coordinates their self-assessment audit by giving active support and guidance. The general drawback of multiple supplier assessment systems is that they create a work overload as the suppliers need to arrange and rearrange their existing administrative and reporting work set-ups to meet the audit requirements of different buyers.

Supplier Evaluation for Social Compliance

Supplier evaluation has led to a minimising of the risks of buyer’s sourcing, as it identifies the status of social compliance of the suppliers. It also creates the possibility for taking responsible actions to overcome the social and environmental issues (Yawar and Seuring, 2015). Ranking the suppliers based on their performance in social and environmental issues is a form of supplier evaluation. It has been claimed in earlier literature (Sancha et al., 2016a) that social issues have been less in focus in the evaluation process than environmental issues. The findings (see chapter 5 section 5.2.2.4) of this research show that supplier evaluation helps to measure their degree of compliance with CoC and national laws. Based on the evaluation, the buyers provide feedback to their suppliers about how they can improve their work with social sustainability. Suppliers get the opportunity to improve these conditions, or if they do not improve these, their contract with buying firms can be terminated. There are also difficulties and challenges for supplier evaluation systems. After the social compliance audits conducted by different buyers or their recommended auditors, a supplier is rated or evaluated differently by individual buyers. It is confusing for suppliers, as it is hard to define their actual status for social compliance.

Supplier Development for Social Compliance

Previous studies (Sancha et al., 2016a; 2016b; Gimenez and Sierra, 2013) have suggested that buyers facilitate supplier development, also known as relational-based governance mechanisms, through idiosyncratic investments, such as training or workshops, asset-specific investments, offering technical and financial assistance, and educating the suppliers. However, transaction costs may increase in the supplier-development process as firms need to invest in supplier development (Gimenez and Tachizawa, 2012).

Most of the buyers studied in this research are engaged in supplier development by providing training, seminars and workshops to enhance supplier capabilities for being compliant with codes of conduct (see chapter 5 section 5.2.2.5). However, suppliers' participation in the training programme is voluntary. Different representatives interviewed have explained that different kinds of training for the suppliers are provided by the buyers. To have a deeper understanding of the CoC and labour law, trainings are provided to the executives and top-level managers of the suppliers. Mid-level managers who are human resource or compliance managers of suppliers are given training to improve the areas of non-compliance where the supplier is underperforming. Trainings are also provided to improve the capabilities of the suppliers so that they can train their own workers. In addition, many innovative approaches are applied to provide the training sessions, such as e-learning, webinars, case study presentations, workshops, tutorials, discussions to identify problems, consultation for preparing day to day action plans for improvement.

After receiving training, some suppliers show signs of improvement in compliance and change their mind-set for pro-sustainability. However, the findings (see chapter 5 section 5.2.2.5) show that suppliers may improve in areas of social compliance that had a non-compliance status before, whilst they may be non-compliant in other areas. The challenge lies in the fact that despite suppliers participating in the training provided by the buyers, only a few suppliers give in-house training to their workers. In many cases, the suppliers even fake documents about workers' training and sign fake names. The suppliers show a lack of willingness to work for sustainability as they are more focused on cost reduction. Therefore, they assign only a limited budget for worker training. As a consequence, even after training non-compliance issues occur repeatedly.

Supplier Monitoring for Social Compliance

Previous researchers have claimed that through idiosyncratic investments for supplier development relational-based governance mechanisms can replace control-based governance by reducing auditing and monitoring activities (Sancha et al., 2015; Pagell and Wu, 2009; Vachon and Klassen, 2008). However, the examples in this research (see chapter 5 section 5.2.2.6) show that supplier development plays a critical role in social sustainability. Interestingly, even after receiving training from the buyers, the suppliers may still perform poorly in social compliance. A significant finding of this research is that training cannot

guarantee supplier willingness for social sustainability improvement, since suppliers tend to not internalise the underlying objective of the training. Therefore, buyers end up having to take the path of excessive monitoring and frequent site visits. The findings of this research show that, in addition to the training programmes, buyers' face to face meetings with the suppliers, site visits of the suppliers and direct monitoring help increase supplier performance in social compliance. Moreover, the findings also show that those suppliers that receive frequent visits from their owners or executives are performing better in social compliance.

Social Compliance Reporting

Recently due to stakeholder pressure, MNCs started disclosing the names of their first-tier suppliers. From studying the transparency efforts of Nudie Jeans Company, Egels-Zandén and Hansson (2016) show that through disclosing the names of the suppliers, or more ambitiously, disclosing sustainability conditions at the suppliers by publishing supplier audit reports, buyers ensure transparency. However, this research finds (see chapter 5 section 5.2.2.6) that with the exception of reporting structural safety issues, the absence of reporting on social issues at their suppliers is a current weakness of voluntary disclosure of social compliance performance across the supply chain.

Outcomes of Social Compliance

Each dimension of a buyer-driven control-based system, from supplier selection, assessment, evaluation, supplier development, monitoring and to social compliance reporting are all needed. This research provides empirical evidence that each dimension is distinguishable, and their combined effects more or less influence supplier social compliance performance. Different participants in this research express the notion that due to global attention there have been some improvements in social compliance over the years after the Rana Plaza incident. However, many unsolved issues still need to be dealt with. Previous research (Huq et al., 2014a) in the ready-made garment industry in Bangladesh claims that one of the positive steps towards compliance by the suppliers is removing child labour from the whole industry. However, child workers are consequently diverted to less regulated industries, such as construction. The findings of this research show (see chapter 5 section 5.2.3) that the child labour issue has almost been solved on the level of first-tier supplier but still exists in the unregulated subcontracting factories and has shifted to more hazardous industries. Factory visits show that, many suppliers establish medical facilities, dining halls, sanitation and drinking water facilities, following the

recommendations from the buyers to comply with the national law (appendix 4.13 picture 6 and 14). In addition, suppliers are getting better at providing 120 days maternity leave following the labour law. Pressure from MNCs for compliance and monitoring with frequent factory visits are working as enablers. On the other hand, a number of social compliance issues are still being violated. For example, there is low job security, women on maternity leave are often replaced, gender discrimination and verbal abuses are still prevalent. The buyers find that the most common occurrences of non-compliance concern unauthorised subcontracting and employment issues, such as excessive working hours and low wages followed by the workplace safety issues. This latter is now being taken care of in the collaborative efforts of multiple stakeholders.

6.1.4. Challenges for buyers in control-based system

Every buyer faces different problems related to different suppliers. Some of the suppliers show opportunistic behaviour by deliberate misrepresentation and violation of CoC and the ‘standard of supplier’ agreement. Different buyers interviewed in this research convey the challenges they face, related to suppliers’ unethical behaviour: *“excessive working hours”, “keeping multiple set of records”, “falsifying records to hide excessive working hours”, “underpayment of wages and non-payment of overtime”, “unauthorised subcontracting”, “making of fake documents about workers training”, “offering of extra money to the third-party auditors”*. The buyers think that the *“factory owners are driven by greed and are desperate to earn quick money”*. The challenges for buyers in the control-based system found in this study are in line with the those of previous studies, and include the dishonest practices of the suppliers, bribing auditors, keeping different sets of records on wages and working hours issues (Huq et al., 2016; 2014a; Welford and Frost, 2006).

The representatives of the buyers interviewed for this research stated that suppliers are not taking responsibility, *“we have to ask them (suppliers) over and over to pay fees to the third-party auditors”, “we train them (suppliers), they improve in some areas and fail to improve in other areas”*. Therefore, the buyers need to force the suppliers to follow their framework for compliance. The common belief among the buyers is that if they push the suppliers to change something, only then they will be willing to change. *“If we do not keep pressuring the suppliers in compliance issues, then the suppliers will not be liable for improvement, this is the common cultural practice”*.

6.1.5. Consequences of control-based system on suppliers

The findings of this research show suppliers' dissatisfaction: "*buyers do not shoulder any of the costs*", "*do not increase the price of the products*" but demand more compliance, "*continuously pressurised to reduce price*", and as suppliers perceive it "*buyers are always prioritising their profit margin*". In addition, suppliers claim that changes for compliance require changes in administration and reporting systems "*that incur 40% more cost and time*" and "*it is challenging to undergo so many different types of audits per year*". A different study (Sinkovics et al., 2016) finds that, in many cases, the suppliers leave the workers in a worse condition than before social compliance was enforced, as they have to carry the financial burden of the social compliance improvement.

In control-based governance mechanisms, if the suppliers once sign the 'standards for suppliers' agreement, they are expected to follow the terms and conditions of the buyers. Among the conditions are agreeing to be audited and monitored by the buyers and assuring that if they (suppliers) breach the CoC they will work with the buyers to improve social compliance. Where there is no willingness from the suppliers to follow this agreement and make the necessary changes recommended by the buyers for social compliance improvement, the buyers reserve the right to terminate the contract. This is a sign of coercion, as extrinsic enforcement is imposed by the buyers. However, the suppliers have a choice to follow the codes of conduct, to be aware of the consequences of their compliance conditions or to refuse to accept the CoC and reject the trade contract in a specific context.

6.2. The second path – from disaster to structural compliance efforts

After the tragic Rana Plaza incident controversies about the 'accountability' of the MNCs towards garment workers spread and the obligation of implementing CoC was raised. A large number of leading international NGOs demanded accountability from the MNCs for the groups that were affected. Being held accountable by the media and international NGOs, the MNCs provided compensation to the Rana Plaza victims and took multi-stakeholder initiatives (MSI) as steps towards structural safety improvements. Despite having a narrow area of interest in the workplace structural safety and occupational health issues of a single industry, these MSIs are unique as the actual formation and enforcement of regulations as well as implementation are undertaken in the local context by the global and local stakeholders.

The “second path” contains phases that show that the Rana Plaza disaster led to industry-wide efforts for structural compliance improvement. This comprises firstly the corporate perspectives of taking a defensive strategy which is discussed in (6.2.1) to protect reputation, and a risk-based approach (6.2.2) to reduce the risks of production. These are the main reasons for forming the multi-stakeholder initiatives (MSIs). Multi-stakeholder-based governance mechanisms on the supply chain level are discussed in 6.2.3 and involves inclusiveness of stakeholders in MSI, standards setting for structural safety, structural remediation process, supplier structural assessment, evaluating progress, negotiation, the involvement of suppliers, public reporting systems and outcomes of structural compliance. Lastly, in 6.2.4 the challenges and in 6.2.5 the consequences of multi-stakeholder governance mechanism enforcement on suppliers are presented.

6.2.1. Defensive strategy

The findings of this research show that since the multi-stakeholder initiatives were formed as an after-effect of Rana Plaza tragedy, the strategy of taking MSI is a ‘*defensive*’ one to protect reputation. Defensive strategy involves admitting responsibility after pressure has been applied (Clarkson, 1995). Moreover, when an MNC becomes a member of a multi-stakeholder initiative, that member feels accountable to other MNCs or peer organisations. This type of accountability is known as *peer accountability*. Peer accountability (Grant and Keohane, 2005) is when actors are accountable to each other to safeguard their organisational reputation, and results in the formation of MSIs. MNCs jointly delegate responsibility and authority to the MSIs to handle the structural safety issues in the supply chain. The suppliers feel responsible for improving the structural safety in a reactive way, when in a collaborative arrangement through MSI the MNCs keep pressuring them.

6.2.2. Risks-based approach

The buyers in the supply chain often take a *risks-based approach* (van Bommel, 2010) to eliminate the risks of the workplace and improve the structural safety of the suppliers. The MNCs take a *risks-based approach* to form multi-stakeholder initiatives, so that the damaged reputations of the MNCs can be repaired. Moreover, the findings of this research (see Chapter 5 section 5.3.3) show that the MSIs help suppliers to eliminate risks, through ‘downward’ control. Downward control involves performing technical investigations to identify safety risks,

disclosing information about safety risks and negotiation with suppliers for financial investment to improve safety, based on the identified highest to lowest safety hazards.

6.2.3. Multi-stakeholder-based governance mechanisms

In multi-stakeholder-based approach, multiple stakeholders are actively involved in setting standards and governance mechanisms, in contrast to the control-based system where buyers are those who enforce the mechanisms on suppliers through auditing and monitoring them. Multi-stakeholder governance is a complex and multi-level mechanism which can be analysed through: identifying the inclusiveness of stakeholders in MSI; setting the procedural standards; and enforcing the standards through a structural safety remediation process; using criteria proposed by Mena and Palazzo (2012) and Müller et al. (2009). Enforcing the standards includes structural safety investigation, evaluating suppliers' progress, continuous negotiation with the suppliers, supplier involvement, public reporting of the progress and outcomes of structural compliance.

Inclusiveness of Stakeholders in Multi-stakeholder Initiatives

The inclusion of stakeholders in multi-stakeholder-based governance is necessary to enhance the legitimacy of the multi-stakeholder initiatives (Mena and Palazzo, 2012; Müller et al., 2009). In this research it is found that multi-stakeholder initiatives (e.g. the Accord and Alliance) involve important input from corporations, as they share the costs and risks of the initiatives with many other stakeholders (see table 6.2). Representation from the trade unions brings credibility (applicable for the Accord). The MSIs ensure the inclusion of multiple stakeholders, such as advisors, regulatory experts, consultants and NGOs for sharing knowledge, information and responsibility, so that they can contribute in standards setting, enforcing the standards and taking necessary actions. The corporations also play a role in rule-setting by putting the principle forms of the rules or standards, guidelines and recommendation into practice to enhance supplier compliance.

The *Alliance* was criticised for having a major corporation influence in rule-setting. The *Accord* representative interviewed for this research stated “*you cannot take Accord’s and Alliance’s name in the same breath*” because of the differences between the participants. Despite *Alliance* being a corporate-led agency, which does not involve trade unions in its formation, it is classed as a multi-stakeholder initiative. The Alliance involves a few local NGOs and supporting

associations, such as the United States Agency for International Development (USAID), the International Finance Corporation (IFC) as well as academic representatives from University of Maryland and Bangladesh University of Engineering and Technology (BUET) not only on the abstract policy setting level in its formation phase, but also in the implementation process (see table 6.2).

Table 6.2 The Accord and the Alliance as Multi-stakeholder Initiatives (MSIs)

Multi-stakeholder initiatives	Issues	Rule-targets	Stakeholder Participation in Multi-stakeholder initiatives						
			International actors					Local actors	
			MNCs	NGOs	Trade unions	External Supporting bodies	Academia	NGOs	Trade unions
Accord	Fire, electrical, building safety	RMG factory	yes	yes	yes	<i>no</i>	<i>no</i>	yes	yes
Alliance			yes	<i>no</i>	<i>no</i>	yes	yes	yes	<i>no</i>

Regardless of their differences, in this research, both the Accord and the Alliance are considered as multi-stakeholder initiatives, because, both are engaged in solving their targeted structural compliance issues. Approximately half of the exporting garment suppliers in the industry are fall within the control of the MSIs for improving structural safety. The suppliers are active participators in the implementation process for remediation of structural safety; however, they are criticised for being mainly passive participators in the formation of the MSIs.

Standards Setting for Structural Safety

The multi-stakeholder approach delivers sets of standards for structural safety, under which the suppliers are not required to comply with the multiplicity of CoC for different buyers. This is unlike the suppliers need for social compliance. The findings (see chapter 5 section 5.3.2.) of this research show that the multi-stakeholder initiatives have their own standards of the structural safety, which have been developed by expert consultants through deliberate discussion with the member MNCs and other stakeholders. Standards have a relatively narrow scope, compared to CoC, as they only include fire, building and electrical safety measures. These standards are an example of a rather strict set of guidelines with specific and clearly defined rules, and detailed elaboration of procedure for monitoring and compliance. Moreover, the standards are harmonised with local and international building safety codes (Bangladesh National Building Code, BNBC and National Fire Protection Association, NFPA). The suppliers are rules-followers who are expected to comply with one of the MSIs' standards.

The Remediation Process for Structural Safety

Both new and active suppliers need to go through the remediation process for structural safety under the observation of the multi-stakeholder initiatives. The MSIs send their engineers for structural safety inspections. The findings (see chapter 5 section 5.3.3.1.) show that the remediation process has three stages. In the **first stage**, through fire, electrical and building safety inspection, the inspectors identify risks and categorise them into highest to lowest risk factors. Then they prepare three observation reports with pictures. If the inspections identify a danger of building collapse, the immediate action is to partly or entirely shut down production. If the risk factors identified are not serious, then the MSIs prepare corrective action plans (CAPs) to propose remediation. In the **second stage**, a series of negotiation takes place between the MSIs and the suppliers, and the corporations also participate. Through negotiation, the suppliers agree to a final CAP. Based on that CAP recommendation, corrective actions for high priority structural improvement are undertaken by the suppliers and update-reports of work in progress with pictures are sent to the MSIs. In the **third stage**, the MSIs perform follow-up inspections if new structural issues have been identified. The CAP is then revised and negotiation and corrective action continues in cycles. To succeed with the remediation and receive a certificate from one of the MSI, a supplier has to fulfil the corrective actions as suggested in the original and updated CAP after a follow-up CAP. Figure 6.3 shows the multi-stakeholder-based governance mechanisms for the suppliers.

Figure 6.3 The Multi-stakeholder-based Governance Mechanisms

Supplier Assessment for Structural Safety

In general, the multi-stakeholder initiatives are criticised for rarely carrying out assessment of the rule-followers, which involves monitoring or auditing activities. Therefore, they face the challenges of balancing credibility and control (Mena and Palazzo, 2012). The findings (see chapter 5 section 5.3.3.2.) of this research show, the MSI themselves are responsible for conducting a structural safety assessment of the suppliers. The nature of structural compliance requires specialised knowledge and resources. The MSI involves specialist engineers who are internally recruited for inspections, unlike social compliance auditors who are less qualified to assess many of the crucial structural safety aspects. In some cases, the MSI hire external engineering firms to help them with the inspection. *“The Accord and Alliance send inspectors who are professional engineers to visit the factory premises for investigating”* the building, fire, and electrical safety conditions of the suppliers. The MSIs need to hire inspectors from other local and foreign engineering firms mainly because of shortage of manpower.

The inspectors or relevant engineers are funded by the MSIs, and therefore, are not biased towards the suppliers. There is stakeholder pressure for credibility in the assessment. The MSIs prepare corrective action plans based on the prioritised risk factors. The suppliers are categorised based on a colour coding scheme (red, amber, yellow, green) to distinguish the risk factors. In case where severe risks or immediate dangers are identified, the suppliers are asked to partially or completely close their production, and as a result, the buyers terminate their sourcing contract with that supplier. The MSIs negotiate with the suppliers to invest in structural improvement. They also perform follow-up inspections to identify further structural risks and investigate structural compliance performance.

Evaluating Suppliers Progress for Structural Safety

In this execution phase, the committed actions are carried out. The respondents confirm that the MSIs’ specialised engineers perform follow-up inspections on a quarterly basis. Through a series of follow-up inspections and corrective actions, the parties including the multi-stakeholder initiatives, corporations and suppliers fulfil their commitments, to help reduce the uncertainty of structural risks (see chapter 5 section 5.3.3.3.). The MNCs are also involved in enforcement of structural safety standards of the MSIs, such as they stated *“we check the factory ‘follow-up’ status every week”*. In general, after the first inspection, follow-up inspections can be carried out a minimum of twice to an unlimited number of times. One supplier experienced

that the “*Alliance’s engineers investigated us for 21 times*”. The reason for several follow-up inspections is that in every inspection new incident can be found.

The suppliers need to undertake corrective actions on newly found incidents and the actions eventually have to be assessed by the inspectors. While verifying the corrective actions, more new incidents can be identified. Thus, the finding of new incidents, updating the corrective action plan, negotiating for remediation and taking corrective actions can occur in several cyclic phases. It is inevitable to avoid misunderstandings, conflicts and changes in expectations because of the time and length of the multi-stakeholder-governance implementation. This is the phase when the suppliers start to perceive reluctance. As expressed by several of them that “*the remediation process seems like a never-ending process*”, or “*this is frustrating*”. This is a clear sign of audit fatigue. As a result, many of the MSI listed suppliers are in a ‘Behind Schedule’ status, as they could not fulfil the criteria for the corrective actions within the estimated timeframe of a maximum of five years for the remediation process for structural safety.

Negotiation with the Suppliers

Negotiation is a formal bargaining process between the parties involved (Dahlstrom and Nygaard, 1999). Several factory representatives stated, “*we had to invest a lot for remediation*”. The MSIs and MNCs together get involved in a series of negotiations with the suppliers (see chapter 5 section 5.3.3.4.). The purpose of the negotiations is to reduce the safety risks and significantly eliminate the safety problems so that the supplier can achieve structural compliance. The suppliers negotiate to have as little an investment as possible in structural safety. On the other hand, the MNCs demand that the suppliers invest as much as possible to undertake full corrective actions and pursue gradual structural improvement, so that they can reach the green category structural compliance status. The buyers become involved in the negotiations and collective remediation planning and continuously “*push the supplier to improve the safety requirements*”. As a result, the suppliers evaluate their financial capacity for investment in the remediation process. Ultimately, the suppliers come to an agreement with the MSIs for a final corrective action plan that contains a detailed remediation plan, a necessary investment plan and a proposed time frame for structural improvement which both parties have agreed on. The MNCs participate in roundtables meetings together with the MSIs’ engineers and suppliers to address misunderstandings or conflicts during the implementation of the action

plan, the MNC's representative stated *"we immediately call for the three-party meeting for discussing further actions"*.

Supplier Involvement for Structural Safety

One of the significant qualities of multi-stakeholder governance mechanisms is the involvement of the suppliers. Supplier involvement not only consists of asset-specific investment for remediation structural compliance, but also in activities to ensure workers' everyday safety. Supplier involvement has become natural, and buyers, suppliers and MSIs interact more frequently with one another and feel the need to involve themselves in remediation activities that could better account for the context of the specific issue. The finding of this research (see chapter 5 section 5.3.3.5.) show that the suppliers participate with the MSIs to form internal 'safety committees' in their premises. The purpose of such a committee is to monitor day to day safety issues and facilitate discussion with workers and managers about occupational safety. The supplier and MSIs joint initiatives include extensive worker training on fire safety and occupational health and safety awareness programmes and include distributing fire safety toolkits, and fire safety awareness leaflets.

Public Reporting of Structural Compliance

The structural assessment reports and corrective action plans of the suppliers are available to the general public on the MSIs official websites (see chapter 5 section 5.3.3.6.). These reports and plans are elaborate. They define the rate of risk factors and include pictures of facilities at risk. Most importantly, the corrective action plans are updated after actions are taken by the suppliers and if new risk factors are identified from follow-up evaluations. The analysis of the inspection reports shows that the Alliance have a systematized way of reporting. Whereas, the Accord inspectors do not necessarily follow a structured way for reporting their evaluation of the suppliers. Nevertheless, both of these MSIs set examples of transparency through the public disclosure of their monitoring results and improvement status of all their listed suppliers.

Outcomes of Structural Compliance

The multi-stakeholder initiatives have created a significant improvement in fire, electrical and building safety conditions in the garment industry. However, these suppliers who have relatively high-risk structural hazards and are unwilling to improve, face negative side-effects as they lose part of their business contract and in some cases, this is fully dissolved. As a result,

“after the initial audits by the Alliance (or Accord), many small factories lost their production contract and had to close down, which is very unfortunate”. On a positive note, analysis of the inspection reports shows that structural compliance, especially for fire and electrical safety condition of the suppliers has been improved dramatically (see chapter 5 section 5.3.4.). Several representatives informed me that *“overall progress is moving favourably”*. The building safety improvement is comparatively low because of *“limited availability of required technical equipment, or a shortage of qualified engineering consultancies and contractors”*.

This research identifies the fact that the multi-stakeholder initiatives are not only investigating and enforcing the regulatory activities, but also undertaking various sustainable initiatives for structural safety and occupational health issues. For example, the MSIs administer occupational health issues by examining whether or not the suppliers are facilitating worker training on fire safety and first aid and if the suppliers have an adequate number of first aid boxes and display evacuation procedures, as well as if the workers perform regular fire drills (appendix 4.13 picture 12). Some of the workers also reported *“we all have fire safety training”*.

In addition, the multi-stakeholder initiatives with the local NGOs have initiated a complaint mechanism including a helpline telephone service for reporting fire hazard and health and safety risks, so that safety issues can be addressed in the fastest possible manner (appendix 4.13 picture 13). The interrelated nature of design and implementation of the multi-stakeholder governance mechanisms within the local context enhance participant interaction and enable the identification of those safety needs to be addressed.

Also, being part of the multi-stakeholder governance, corporations show more sincerity for structural compliance than social compliance, due to public demand and discussion of the severity of the structural issue to be solved. One corporate representative stated, *“The more sourcing a brand has from Bangladesh, the more effort it gives on taking health and safety initiatives”*.

6.2.4. Challenges for buyers in multi-stakeholder-based system

Multi-stakeholder-based governance is multidimensional. So, one of the challenges has been a disagreement between the stakeholders because of their conflicting objectives, before, during and after the formation of the multi-stakeholder initiatives (see chapter 5 section 5.3.5.). Before the formation of the MSIs, the corporations and international NGOs were in a dissenting

position. The disagreement between MNCs and NGOs was solved by cooperation and dialogue. We also see the sign of disagreement among corporations about trade union involvement in MSIs. The MNCs solve it by forming two separate MSIs instead of one single MSI and collaborating only with the corporations that share similar values and reputational bonding. After the formation of MSIs, due to the fear of losing contracts with buyers, suppliers objected to multi-stakeholder governance as it could go against their interest. One respondent said *“initially, it was difficult for the Accord (or Alliance) to convince the factory owners to compromise their short-term profits and invest in the remediation process”*. In addition, *“the factory owners had a fear that they might need to invest a huge amount of money for the remediation”*. Most importantly, suppliers’ objections to MSI were settled through continuous negotiation and persuasion.

Moreover, multi-stakeholder initiatives faced challenges like lack of resources to carry out the remediation process, *“we did not have enough manpower”*. The MSIs had to *“learn by doing”* and the MSIs needed *“the brands’ help and support”*. Therefore, the MNCs need to closely monitor the progress of the corrective actions taken by their suppliers. The suppliers promise that *“the brands always check the ‘follow-up process reports’ on our corrective actions”*. Some suppliers could not perform agreed-on actions because of lack of resources and capacity. The MNCs declared that they would not source from the suppliers who were not willing to take these corrective actions based on the corrective action plan requirements of MSIs engineers. There is always bargaining going on between buyer and supplier for structural improvement. The ‘push’ from the buyers has a great impact here. One brand representative said, *“the brand always ‘chases’ the factories for the investigation and the ‘follow-up’ process”* and *“we have to push them (suppliers) to invest for structural remediation”*.

6.2.5. Consequences of multi-stakeholder-based system on suppliers

In the beginning, suppliers showed resistance to accepting a multi-stakeholder-based system. Many compliance managers of the suppliers showed frustration, *“the number of audits has increased dramatically after the Rana Plaza incident”*. They are facing immense difficulties to undertake corrective actions, such as *“lack of engineering and technical knowhow”*, *“lack of bank loans for capital investment”*, inability of *“bargaining commercial terms with the buyers for a higher price of products”*, facing inconvenience as *“production was hampered while the*

structural reconstructions took place” and perceiving “structural compliance as extra expenses”.

However, the suppliers who cannot live up to their promises by performing remediation, face the negative consequence of entirely or partially losing their sourcing contract. The suppliers can achieve a certificate from the MSIs upon completing the necessary structural remediation. This certificate can be trusted as evidence of structural compliance, in which their status is confirmed through several structural assessments. Furthermore, the initiative also leads to naming and shaming, through the disclosure of the suppliers’ names on the official website, which means that non-compliant suppliers can lose potential buyers. The MNCs tempt their suppliers with the promise of a long-term sourcing commitment and purchase of a high volume of products if they comply with structural safety standards. The suppliers invest in structural safety partly out of fear of losing business, and partly to keep their competitive advantage.

6.3. The third path – social development aspiration

Social development is often provided free of charge to the workers in the suppliers’ domain and to the communities where the MNCs operate. In this research, ***social development*** implies the wellbeing and empowerment of the workers. To work towards *worker wellbeing* means ensuring healthcare, hygiene, reproductive health and community health. *Worker empowerment* is required to bring long-term sustainability through workers dignity and incorporates leadership and capability building, social dialogue with the management, freedom of speech, workers’ knowledge about labour rights and so on. In their ethical values and corporate social responsibility (CSR) policies (see chapter 5 section 5.4.1.) different MNCs declare that they are willing to ensure workers’ health and hygiene, workers’ empowerment and contribute to community development.

The “third path” comprises the governance mechanisms that identify workers wellbeing, empowerment related and community specific problems to social development aspirations for social development. Firstly, on the corporate level, the ambition is to take a proactive strategy (6.3.1) and need-based approach (6.3.2). These lead to cross-sectoral governance (6.3.3.) between the MNCs and the NGOs. Through this cross-sectoral cooperation they undertake social development projects in the supply chain, monitor and evaluate these projects, ensure supplier and worker participation, and report their achievements and the outcomes of their social development projects. In addition, the challenges for buyers in cross-sectoral governance

(6.3.4) and consequences of cross-sectoral cooperation for workers and communities are described in section 6.3.5.

6.3.1. Proactive strategy

The MNCs take a *proactive strategy* to move towards a social development that includes addressing the wellbeing and empowerment of the workers. Proactive strategy (Clarkson, 1995) means doing more than is required by the codes of conduct or legislation. These social development initiatives become relevant for the sustainability performance of the buyers as it can indirectly affect their reputation. Reputation can be double-edged (Grant and Keohane, 2005, p.52), because an actor may seek a means to defend a damaged reputation to mitigate risks, as well as want to enhance good reputation by being a reliable and honest partner. In the latter case, reputational effects are related in a different way to accountability, as it refers to the situations where elements of accountability, such as standards, collecting information through audits and sanction are absent (Grant and Keohane, 2005; Keohane, 2008).

In this research context, the MNCs base their *proactive strategy* involvement with the international and local NGOs to address the social development needs as it is not motivated by stakeholder pressure and the intention of defending reputation for previous wrongdoing. The *reputational accountability* (Grant and Keohane, 2005) of the MNCs enables them to get involved with international organisations, such as UKAid, USAid, Sida, DANIDA, GIZ, UNISEF, so that in the long run it can build them a strong reputation as well as lead to long term sustainability for the workers and community. However, reputational accountability is not the sole reason for the MNCs to become involved with the local NGOs. It is also their commitment to social sustainability as social development requires investment. The MNCs put a soft pressure on their suppliers as instead of direct sanction they use persuasion⁴¹. The suppliers are persuaded to allow the MNCs to conduct their activities for implementing CSR norms and procedures.

6.3.2. Needs-based approach

The MNCs have a *needs-based approach* (Todaro and Smith, 2015, p. 22) in undertaking social development projects (see chapter 5 section 5.4.1). MNCs first adopt the CSR policies which show their local responsibility for social development. Previous research that has only studied

⁴¹ Persuasion is the capability to negotiate for participation instead of domination (Turner, 2005).

supplier perspectives, claims that the suppliers have a better understanding of the socially grounded needs of the workers and their wider community (Belal and Roberts, 2010), while the multinational corporations lack sufficient insights into context-dependent societal problems (Sinkovics et al., 2016). These research findings (see chapter 5 section 5.4.3.) show that the MNCs with subsidiaries in host countries, have contextual knowledge to identify the development needs of the workers and community. As societal needs are not static, the MNCs develop, implement and reform their CSR policies every year in a continuous manner through the bottom-up practices.

The MNCs need to have the NGOs on board, as they have more experience in working on sustainable development. Local NGOs have a “*path dependency and experienced curve*” as they have a long history of working in different areas of sustainable development. However, the MNCs have limited knowledge in implementing the CSR policies in the supplier context, and therefore, need to cooperate with the local NGOs. To quote one NGO representative “*MNCs can duplicate the project design that NGOs have developed, but they cannot replicate*”. In other words, social development projects have to be customised according to the needs of a particular group of people who are receiving the training. Hence, duplicating a previous project plan which was developed for different purposes e.g. literary enhancement, cannot be applied to another project e.g. life skill enhancement, as the purpose, target group and expected outcomes vary from project to project. Working with local NGOs is a leverage for the MNCs, as local NGOs work as mediators for social change by initiating social development.

6.3.3. Cross-sectoral-based governance mechanisms

To build up cross-sectoral governance mechanisms the MNCs first recognise societal context-specific problems and address the problems in their CSR policies. After that, they find a local NGO who is interested in undertaking a joint social development project. Cross-sectoral partnerships between corporations and NGOs can create social value (Murphy et al., 2015; Austin and Seitanidi, 2012; McDonald and Young, 2012). The findings of this research show that cross-sectoral involvements are contextuality embedded, as the cooperation are influenced by the contingency of the societal factors. In this case, the societal factors are workers’ vulnerability and community specific problems in the local context.

Implementation of the social development projects

In this research, the analysis of the CSR policies of the MNCs and the mission of the NGOs shows that they are jointly involved in those cooperative projects that are aligned with the interests of both of them (see chapter 5 section 5.4.3.). Researchers argue that inter-organisational alignments involve alignment of the NGOs' values, missions and objectives with the MNCs' strategies, structures and routines (Rodríguez et al., 2016a). It is also claimed that the MNCs and the NGOs require several alignments to establish an 'inter-organisational fit', because, the MNCs' mission is to create profit and the NGOs' to create social value (Le Ber and Branzei, 2010; Austin and Seitanidi, 2012). This research shows that each MNC and NGO attribute significant importance to only one or two areas of social development that align with their interests. For example, based on their CSR policies MNCs (e.g. MNC1,2,4) who are members of Business for Social Responsibility (BSR) are cooperating with the NGOs (e.g. NGO3) that are local partner NGOs to BSR to provide training to the workers on health and hygiene awareness. In their CSR policy another MNC prioritises "*enhancement of skills, self-esteem and productivity of women in the supply chain*". They become involved with those NGOs whose mission is women empowerment, literacy enhancement, and workplace engagement programmes.

Social development projects evaluation

The NGOs share the progress reports for the social development projects with the MNCs, who partly or fully fund these projects (see chapter 5 section 5.4.3.4). When the implementation of the project is partly the responsibility of the suppliers, then the suppliers have to submit a 'session plan' to the MNCs for workers training and signed participant lists as evidence that they have carried out training. Evaluation of the project by the MNCs is very much a quantitative measure, rather than one that provide qualitative indicators. For example, from the view point of the MNCs, a social development project is considered successful if it reaches a large number of suppliers and a huge number of workers. The reason for this can be the MNCs' motive to inform stakeholders of their success factors in their global sustainability report.

In many cases, the training sessions for the workers through the MNCs-NGOs development projects, such as in the health and hygiene programme, health awareness programme, is provided on a peer-to-peer basis. This results in a increased number of participants but makes it hard to actually evaluate the learning outcomes of the workers. Their project evaluation

cannot actually show to what extent the project was useful for the workers, or to what extent the training or programme fulfilled their needs. In addition, evaluation does not include feedback from the trainer to make it possible to know what difficulties the workers have faced during the training sessions, how the training can be improved for better outcomes, and other relevant feedback issues.

Participation of managers and workers

Negotiation for fair living wages and good working conditions requires that the workers have the necessary skills for social dialogue to create functioning industrial relations and collective bargaining. Social dialogue is important to improve the relationship between workers and management. The MNCs recognise the need for worker and manager dialogue to improve working conditions. Therefore, with the help of NGOs the MNCs develop projects to provide training in social dialogue, training in dispute resolution, suppliers' capability building on worker management and so on. These training programmes require the direct involvement of the suppliers.

Some suppliers are sceptical about NGOs' involvement while undertaking the social development projects in the factories' premises (see chapter 5 section 5.4.3.5.). The suppliers fear that the workers will get chance to make false allegations against them. In these social development projects, sometimes the suppliers' management team needs to work directly with their subordinates. As one MNC representative said *"being worker-friendly is not a common practice in this industry"*, these kinds of training do not necessarily provide the desired results. In addition, the factory managements do not always provide the environment, time and opportunity for the workers for training. As a result, the training is an extra workload for the workers. As a whole, strong recommendation and persuasion from the MNCs make it possible for NGOs' representatives to be allowed to train the workers. An NGO participant informed *"factory owners and top managements agreed to let us work with their workers just because of the buyer requirements"*. Even some MNCs promote that they will reward the suppliers who do not create constraints and who support facilitating the social development projects.

Reporting on social development projects

The MNCs communicate their successful implementation of CSR policies that produce various social development projects in their ethical trading or sustainability reports, where they also present the names of the NGOs for cross-sectoral cooperation. By disclosing their cross-sectoral

partners, both MNCs and NGOs get reputational benefits and credibility in the eyes of the stakeholders, such as customer groups, media, trade unions. Scholars argue that the MNCs engage in CSR activities because of strategic imperatives (Yawar and Seuring, 2015). For example, the MNCs have declared their ethical values to maintain positive images in public's eyes (Homburg et al., 2013). Other incentives include tax rebates from the government for increasing sustainability performance in the downstream supply chain for the development of host countries (Kumar and Rahman, 2015; Linton et al., 2007). CSR policy is not implemented only when tax rebates are offered, but rather CSR identifies and serves the needs of the bottom-line employees and communities where the corporation is operating. Nevertheless, social development projects are the evident of CSR implementation, these evident certainly enhance the reputation of the corporations (Hoejmose et al., 2014). The findings of this research (see chapter 5 section 5.4.3.6) show that reputation is not the sole reason for the MNCs undertaking CSR policies and implementing these with the help of local NGOs through a wide variety of activities. It is also the commitment to the workers and community that encourages the MNCs.

Outcomes of social development projects

The cross-sectoral cooperation resulted in the implementation of CSR initiatives for social development in the area of creating health awareness for workers' wellbeing and providing education in the rights of the workers for empowerment, as well as community development (see chapter 5 section 5.4.4.).

Community development: The MNCs engage with the NGOs and other international organisations (e.g. Water Aid, UNISEF) to improve the water, sanitation, and hygiene facilities in the communities in the suppliers' area.

Worker health and wellbeing: The MNCs fund the NGOs buying of hygiene products at a subsidised rate and then to provide them to the workers at a discount. Being member of Business for Social Responsibility (BSR) allows MNCs to provide personal health and hygiene awareness training for the women in low-income communities and create awareness of women and child health care. The MNCs have arranged a mobile health centre close to the factory hub to prevent anaemia, and provide free medicine for tuberculosis, as well as a Hepatitis B-virus vaccination.

Worker empowerment: Ensuring workers' rights through worker empowerment is a long-term process. Long term projects for worker empowerment are undertaken by different MNCs and NGOs. The important projects are literacy enhancement, life skill development, workplace engagement, leadership and capability building programmes, rights and responsibility training and initiatives for non-discrimination and the prevention of violence against women inside the factory. The MNCs are also involved with NGOs in projects that contribute to create platform for proactive conflict resolution between factory management and workers, and influence formation of 'workers participatory committee' in every factory as a complementary platform for the trade union.

Childcare centre development: Another notable contribution of cross-sectoral cooperation is childcare centre development (appendix 4.13 picture 17). Garment industry is the first, where industry level initiatives for child care and breastfeeding facilities are established in some factories after the reformation of the labour law in 2013 and with the MNCs demand, the NGOs - "*set up childcare in 300 factories by the help of brands*".

6.3.4. Challenges for buyers in cross-sectoral-based system

One of the major challenge buyers face for implementing these projects is that the supplier is not willing to provide time and opportunity for the training by the NGOs. As when suppliers allow their workers to attend in the training sessions and allocate time for that purpose, their time for production needs to be scarified. The suppliers think it is "*A hassle and interruption in production*". In addition, the suppliers' human resource team misuses these training initiatives through faking the attendance of the workers. The buyers think they need to strengthen the 'follow up' process for peer-to-peer trainings, which is partly suppliers' responsibility to facilitate.

6.3.5. Consequences of cross-sectoral-based system on workers and communities

We can see that the MNCs undertake a number of cooperative social development projects with the local NGOs for workers, including improved wellbeing, empowerment and community development. These are that indicates steps towards reducing workers' vulnerability. These findings of the research show that such cross-sectoral governance results in an alleviation of

adverse effect on wellbeing, such as reducing anaemia, tuberculosis (TB) and hepatitis B, and increasing empowerment through projects like literacy enhancement, child care development, life skill development, workplace engagement, leadership and capability building.

The social development projects are short term projects (1-3 years) which aim for long term sustainability. Some corporations who involve in cross-sectoral governance have higher number of social development projects, while others have limited interactions with NGOs, for example, MNC8 is not involved with any NGO. The reason for this is that some MNCs have other SSCM priorities than social development “*we consider compliance is more important than involving with the NGOs*”. Often the MNCs focus on cost reduction and lack of support from the suppliers can run counter to their social sustainability efforts.

In addition, workers are not always generally interested in training in leadership building and so on, because of their excessive workload and fatigue. Some workers believe training for workplace engagement or leadership development is not necessary, because they perceive this form of training is for promotion. However, if they are promoted, it will bring extra responsibility and extra working hours. On the other hand, they appreciate trainings on rights and responsibility, health and hygiene and so on.

Moreover, resistance from suppliers who have other SCM priorities such as only profit-orientation restricts the development of the workers and community, and therefore retain vulnerability of the workers. Both persuasion from buyers and the willingness of the suppliers’ top management to create a supportive culture, ultimately motivates addressing societal needs. Currently, just a small number of suppliers are found to be under the cross-sectoral governance span.

6.4. Chapter summary

Previous studies in sustainable supply chain governance (SSCG) have shown different governance mechanisms (see chapter 2 section 2.2 for details), such as buyer-driven control-based mechanisms and buyer-supplier relational-based or vertical collaboration-based mechanisms. In addition, in the CSR literature, multi-stakeholder initiative is conceptualised as a horizontal collaboration-based mechanism (see chapter 2 section 2.3 for details). Table 6.3. shows the interpretation of governance mechanisms identified in the literature.

Table 6.3 Governance mechanisms identified from the literature

Types of Governance Mechanisms	Elements of Governance Mechanisms
Buyer-driven control-based (also known as assessment-based)	supplier selection, codes of conduct, supplier assessment or evaluation, supplier monitoring or auditing, and buyers' requirement for obtaining certifications or standards
Buyer-supplier relational-based (also known as vertical collaboration-based)	supplier involvement and supplier development through idiosyncratic investment on education, training or workshops, giving feedback on evaluation, capital investment, technical and financial assistance
Horizontal collaboration-based (known as multi-stakeholder initiatives in CSR literature)	setting standards, establishing the process of implementation of the standards by monitoring and reporting, and implementing enforcement by third-party verification and certification

This research provides a new understanding of the sustainable supply chain governance. It shows that SSCG is not limited either to control-based mechanisms (Huq et al., 2016; 2014a; Andersen and Skjoett-Larsen, 2009; Jiang, 2009a; Egels-Zandén, 2007), or buyer-supplier relational-based governance through idiosyncratic investments (Sancha et al., 2016a; Gimenez and Sierra, 2013; Vachon and Klassen, 2008) as described in earlier SSCM research. In this study, we can see evidence to substantiate the argument that relational-based governance mechanisms, such as training, supplier development is not separate, but is instead embedded within other governance mechanisms.

This chapter shows three different types of governance mechanisms: buyer-driven control-based, multi-stakeholder-based and cross-sectoral-based. On the one hand, *buyer-driven control-based governance mechanisms* include enforcement, such as through supplier assessment, auditing, monitoring, and relational-based idiosyncratic activities, for example education, training or workshops for supplier development to attaining *social compliance*. On the other hand, *multi-stakeholder-based governance mechanisms* comprise enforcement through supplier inspections, negotiations, monitoring, supplier involvement and certification for achieving *structural compliance*. This research also shows that the corporations had to undertake special governance mechanisms that is multi-stakeholder-based after unexpected problems occur, such as a structural safety issues arose. In addition, this research identifies *cross-sectoral-based governance mechanisms* for aspiring to *social development* through MNCs-NGOs joint projects that involve governing the supply chain without imposing sanctions on the suppliers. Instead the supplier's capabilities are developed and they are involved in the efforts to facilitate worker wellbeing and empowerment.

Table 6.4 Supply Chain Governance Mechanisms for Social Sustainability

		Goals towards social sustainability	CoC to social compliance attempts	Structural compliance efforts	Social development aspirations
Corporate level	Accountability		Hierarchical for imposing CoC to the suppliers	Peer-accountability: MNCs are accountable to each other MNCs (peer) to form multi-stakeholder initiative	Reputational accountability: MNCs want to have good reputation by being reliable and honest
	Strategies		Reactive to the stakeholder pressure while forming CoC, but accommodative while implementing CoC	Defensive to guard damaged reputations by admitting responsibility after stakeholder pressure	Proactive to taking steps towards wellbeing and empowerment of the workers
	Approaches		Rights-based top-down command and control system with the presence of boundary spanner in the subsidiary	Risks-based approach to eliminate workplace safety risks	Needs-based approach identify the development needs of the workers and community
	Governance mechanisms		Buyer-driven control-based	Multi-stakeholder-based	Cross-sectoral-based
Supply chain level	Stakeholders	Buyers-Suppliers	Buyers-Suppliers	Buyers-Multi-stakeholder initiatives-Suppliers	Buyers-NGOs-Suppliers
	Standards	- Multiplicity and plurality - Captures the range of issues - Lack of detail - Lack of clarity		- Industry-wide standards - Clearly define rules - Strict guidelines - Relatively narrow scope (only includes structural safety) - Elaborate procedures for actions	Corporate declared ethical values
	Enforcement	- Assessment through differ types of audits - Evaluation for rating and giving feedback - Monitoring through site visit		- Assessment through MSI and external engineering firms' inspection - Corrective action plan to evaluate progress - Negotiation for involvement - Follow-up inspections	- Factory management are asked to provide their 'session plan' about peer-to-peer training - Attendance sheet signature by the workers
	Supplier development and involvement	Supplier development through training, seminars, workshops		Supplier negotiation, supplier involvement, workers training on safety	Supplier development through training, supplier involvement, workers training on health, wellbeing and empowerment
	Reward/sanction	Reward: incrementing volume of orders Sanction: reduce volume of order, rarely terminating the contract		Reward: Certification and promise for contract extension Sanction: Contract termination for non-compliance	No rewards or sanctions
	Disclosure	Non-public disclosure of supplier audit reports		Disclosure the supplier audit reports in the public domain	Reported in the ethical trading or global sustainability report of MNCs via official webpages

Additionally, it has been explained here that, on the corporate level, corporate accountability whether hierarchical, peer, or reputational, the strategies of the multinational corporations which are reactive, defensive and proactive, and rights, risks, and needs -based approaches influence, which governance mechanisms for social sustainability are applied. Supply chain governance mechanisms from the corporate and supply chain levels are presented in the table 6.4.

Buyer-driven control-based mechanisms can be useful if they can overcome the challenges of the multiplicity of the codes of conduct from different buyers, and provide unified standards for the industry. The buyers' codes of conducts are also general and vague and create performance evaluation problems. Buyer-driven auditing is more helpful than third-party auditing. However, there is a lack of credibility in buyer-driven auditing due to the conflicting profit interest of the buyers. The positive aspect of buyer-driven control is the process of supplier development through training and education. This is a top-down practice, and therefore, does not ensure supplier involvement, so the suppliers do not internalise the sustainability values preached by the buyers.

In multi-stakeholder-based mechanisms, different stakeholders have different functions. One group of stakeholders can take the role of 'constructive engagement' while other groups of stakeholders perform the 'auditing and reporting'. This reduces the conflict of interests and enhances credibility, compared to buyer-driven control. The involvement of multiple corporate and non-corporate stakeholders for industry-wide standard setting, as well as monitoring through technically expert inspectors, make for a broader acceptance of these multi-stakeholder governance mechanisms, especially when governmental enforcement mechanism is weak. Despite strict guidelines with specific and clearly defined rules, the standards set through the multi-stakeholder-based mechanisms have a relatively narrow scope compared to codes of conduct, as they only include fire, building and electrical safety measures.

Both control-based and multi-stakeholder-based governance mechanisms include setting standards, implementing those standards and enforcing sanctions on suppliers for not meeting these standards. The difference between cross-sectoral governance mechanisms and the two above described is that, the former do not impose sanctions on the suppliers. Cross-sectoral governance pertains to the mechanisms for implementing corporations' CSR policies for social development with the help of NGOs and that lead to positive consequences for the worker

wellbeing and community development. Cross-sectoral governance mechanisms can create a ‘level-playing field’ for the participating stakeholders through supplier involvement, supplier development and workers’ participation.

Table 6.5 The effects of governance mechanisms on the suppliers

Governance mechanisms	Unintended consequences of the governance	Intended consequences of the governance
Buyer-driven control-based	<ul style="list-style-type: none"> - Multiple CoCs create adaptation problems - Multiple types of supplier assessment create administrative work overload - Supplier evaluation create performance measurement ambiguity - Supplier training does not necessarily improve social compliance - Non-compliance with CoC is common - Supplier opportunism evident 	<ul style="list-style-type: none"> - Gradual improvement for social compliance, however, many unsolved issues still need to dealt with - Instead of terminating the contract the buyers provide training-support and reasonable time for social compliance improvement
Multi-stakeholder-based	<ul style="list-style-type: none"> - Requires resource investments - Dramatically increase overall suppliers’ auditing - Many suppliers are behind schedule to fulfil the criteria of corrective actions - Non-compliant supplier are terminated 	<ul style="list-style-type: none"> - It increases workplace and structural safety - Eliminate risks - Transparency of suppliers’ conducts - Opportunism reduces
Cross-sectoral-based	<ul style="list-style-type: none"> - Some suppliers are sceptical about NGOs involvement - Suppliers are not always willing to provide time and opportunity for the training provided by the NGOs 	<ul style="list-style-type: none"> - Training on worker health and worker rights and responsibilities under the social development projects is ultimately beneficial to the suppliers

Moreover, findings of this research also show that these governance mechanisms bring both intended and unintended consequences for suppliers (see table 6.5). Through control-based governance, buyers create pressure on the suppliers but cannot guarantee social compliance, and even there is tendency towards supplier opportunisms. As a consequence of the pressure, the suppliers go into the ‘fight – flight – freeze’ mode. In other words, more pressures from the buyers creates more resistance from the suppliers, and more resistance from the suppliers stimulates more pressures, that resulting in the interruption of the social compliance progress. Moreover, multi-stakeholder governance increases rule enforcement through excessive audits and leads to audit fatigue. The multi-stakeholder initiatives disclosure the structurally non-compliant suppliers’ name on their official website. Therefore, the buyers dissolve the

relationship with the non-compliant suppliers, with the result that affiliated workers lose their jobs. In addition, very few suppliers are agreed to engage in cross-sectoral based governance in which both corporations and NGOs are involved, because of the activism traditionally demonstrated by NGOs.

This research shows the intended consequences of multi-stakeholder governance. To a great extent safety risk elimination and reducing suppliers' opportunisms, and will be elaborated further in the following chapter. The reasons for these consequences are discussed using the analytical lens of transaction cost economics (Williamson, 1985; 1991). The next chapter describes the possible effective governance structures that can support governance mechanisms that are appropriate for a particular situation.

Chapter 7. Governance Structures for Social Sustainability

Governance structure is defined on the basis of transaction cost economics (TCE) (Williamson, 1985; 1991) and assumes that the costs of managing relationship and potential risks of governance are the basis of identifying the most effective structure among the different forms: market, hierarchy and hybrid (or collaboration) in a given situation (see chapter 3 section 3.1 for elaboration). An effective governance structure for a particular context endorses governance mechanisms to reduce associated transaction risks from potential opportunistic behaviour (Jiang, 2009a,b; Carter and Rogers, 2008). In this research, it is argued that structure provides the platform for practicing a set of governance mechanisms. To govern the supply chain for sustainability, the choice of the governance mechanisms is not between one mechanism and another, but instead between one particular set of mechanisms over another alternative set (Alvarez et al. 2010). It is consisted that governance structures are created through managing transactions between exchange parties. Here, transaction cost refers to the costs and risks of governance for social sustainability. This chapter aims to answer the second research question: *What governance structures can generate effective outcomes for social sustainability and lead to reduce associated transaction risks, while supporting a set of governance mechanisms?*

7.1. The choice of Governance Structures for Social Sustainability

The choice of governance structures and mechanisms are context-specific (Heide and John, 1990) and can depend on transaction costs (Williamson, 1985). To explain the research phenomenon of supply chain governance, TCE has been used to identify effective governance structures for exchanges between parties. According to TCE, the economic rationality of minimising transaction costs is influenced by human factors, such as bounded rationality and opportunism and environmental-economic factors, namely uncertainty and asset specificity (see Williamson, 1979; 1985; 1991). Transaction costs include coordination costs for managing relationships and potential opportunity costs (Williamson, 1981). Potential opportunity costs are derived from the bounded rationality of making poor governance decisions and transaction risks pertaining to the probability that other parties in the transaction can behave opportunistically (Williamson, 1985). Coordination costs for managing relationships arise at the contract agreement stage (ex-ante scenario) and after the relationship has commenced (ex-

post scenario) (Brown et al., 2000; Dahlstrom and Nygaard, 1999). Ex-ante costs include the costs of exchanging information to find an exchange partner, the costs of negotiating and the costs of bargaining with that partner. Ex-post costs comprise maladaptation costs and monitoring costs for safeguarding an agreement. In this research context, the supply chain exchange parties are not only buyer-suppliers, but also multi-stakeholder initiatives and NGOs. In these different scenarios for ex-ante and ex-post developing relationships between these supply chain actors and governing the supply chain for social sustainability, the choice of governance structures varies. The choice of the governance structures can be made among market, hierarchical, collaborative and relational governance structures (see table 7.1) and is described in this chapter.

Table 7.1 The choice of governance structures for social sustainability

	Scenario	Exchange partners	Different governance structures
(I)	Ex-ante	Buyer-supplier	Market governance structure
(II)	Ex-post	Buyer-supplier	Hierarchical governance structure
(III)	Ex-ante	Buyer-multi-stakeholder initiatives	Collaborative governance structure
(IV)	Ex-post	Buyer-multi-stakeholder initiatives-supplier	Collaborative governance structure
(V)	Ex-ante	Buyer-NGOs	Relational governance structure
(VI)	Ex-post	Buyer-NGOs-supplier	Relational governance structure

(I) Scenario ex-ante for market governance structure

The ex-ante scenario of buyer-supplier relationships occur when the multinational corporation does not have a subsidiary in the country of their operation, and use their asset specificity to find suppliers through intermediaries, but do not directly monitoring the suppliers' compliance conditions. Due to the market driven nature of the industry, multinational corporations are bounded by the situation of uncertainty for fast fashion and demanding customers. When economic uncertainty arises due to market dynamism, buyers tend to choose their suppliers through competitive market arrangements, i.e., market governance (Dahlstrom and Nygaard, 1999). In this study, one representative stated, *"buyers select the suppliers who give the lowest cutting, making and trimming (CMT) cost"*. Buyers usually select suppliers based on lowest price and short-lead time competition, instead of considering suppliers' performance in social sustainability. In addition, this study shows, during this contract agreement stage, the buyers were in arm's length relationships with the suppliers. The buyers could not attain sufficient information about the suppliers' sustainable practices to make calculative decisions (see figure

7.1). The selection of suppliers was bounded by the logic of lowest production cost, which can be risky, as the choice of non-compliant suppliers could ultimately increase transaction costs for the buyers. In this situation, suppliers were short-term goal oriented, and therefore, being opportunistic was profitable for them in terms of the order-based short-term, contract with the buyers. This means that:

Proposition 1: *Market governance structure can create risks of suppliers’ opportunism.*

Figure 7.1 Scenario ex-ante buyer-supplier relationships for market governance structure creates risk of suppliers’ opportunism

“Bounded rationality and opportunism give rise to transaction costs [...]. In general, lower transaction costs favour markets, while higher transaction costs favour hierarchies” (Grover and Malhotra, 2003, p.460). Indeed, the ex-ante scenario demanded a shift from a market form of governance to a hierarchical governance structure, so that, buyers could have more information about their suppliers’ sustainability performance.

(II) Scenario ex-post for hierarchical governance structure

In scenario ex-post of buyer-supplier relationships, uncertainty due to behavioural opportunism can occur after the contract has been formed between the entities in the transactions (Dahlstrom and Nygaard, 1999). Hierarchy is a structure in which buyers can acquire direct contract and communication with its suppliers in a desire to reduce transaction risks. Buyers have established

their subsidiaries in developing countries to gain more control over the suppliers in ex-post scenario and thus, have moved from a market-driven to a hierarchical governance structure. Reducing transaction risks by opportunism and reducing information asymmetry could be the reasons that buyers have moved from markets to hierarchical governance (Williamson and Ouchi, 1981). The findings of this research (chapter 5 section 5.2.2.1) suggest that buyers who are devoted to social sustainability practices have engaged in hierarchical governance from the ex-ante contract agreement stage. The hierarchical governance structure has been stimulated by the power relations between the buyer and supplier. This means that:

Proposition 2(a): *Hierarchical governance structure can provide the platform for buyers to enforce control-based governance mechanisms on their suppliers to reduce the risks of supplier opportunism.*

In a hierarchical governance structure, through applying control-based governance mechanisms, buyers monitor suppliers' compliance with established standards of codes or conduct or national legislation. Monitoring results show the opportunistic behaviour of the suppliers, as "*many factory owners are driven by greed and are desperate to earn quick money*". For example, there is evidence of the falsification of documentation, violation of codes of conduct agreements by engaging in unauthorised subcontracting, and other unethical behaviour, such as bribing independent third-party auditors and underpayment of wages and overtime. However, in some cases, the buyers have turned a 'blind eye', which can be identified as behaviour of a 'motivated blindness'⁴² (Gino et al., 2009). One plausible explanation of motivated blindness is that, in response to suppliers' opportunistic behaviour, buyers may also behave opportunistically to take advantages of the suppliers' opportunistic behaviour (Crosno et al., 2015). Another is that buyers can take calculated actions to protect themselves by switching to an alternative supplier. Similarly, findings indicate that buyers make a weighted calculation of the cost of opportunism among their suppliers with regard to a perceived self-interest in profit making, as "*buyers always prioritise their profit margins*".

Responsible buyers have realised that the attitude of taking advantage of the suppliers' opportunistic behaviour is 'part of the problem'. Therefore, as evident in this research (chapter 5 section 5.2.2.3), buyers look for solutions for the suppliers' non-compliance condition. To address suppliers' opportunism, some buyers have enforced obsessive controls on the suppliers

⁴² 'Motivated blindness' is a process of evaluating unethical behaviour of one party by other, while ignoring or avoiding the unethical behaviour for the evaluator's self-interest (Gino et al., 2009).

through audits and monitoring. Buyer-driven-monitoring can help reduce information asymmetry between buyers and suppliers, as buyers have perceived that monitoring can be an effective way to detect suppliers' opportunism. However, monitoring is an obtrusive form of control that should not be used unless strictly needed, because of its possible negative effect on the buyers' relationship with their suppliers (John, 1984; Ouchi, 1979).

Williamson (1993) suggests that an economic organisation demands for control is derived from an excessively calculative approach which can have both intended and unintended effects. The unintended effects may have dysfunctional consequences (Dahlstrom and Nygaard, 1999). In line with previous research, we can see that when monitoring and auditing have taken place multiple times in a year, and has increased buyers' transaction costs for physical and human asset involvement, it still resulting in increased opportunistic tendencies. Moreover, audits carried out by independent third-party auditors have created opportunities of fraud and fostered dishonesty. This is because the suppliers have felt need to avoid the serious business implications of contract termination. In addition, excessive monitoring and auditing have led to increased buyers' costs for maladaptation due to communication and coordination failures.

Those buyers who have committed to improve suppliers' social sustainability performance, have made idiosyncratic investments for the training to reduce communication and coordination gaps. This has also been described in earlier studies (see Sancha et al., 2016a; Gimenez and Sierra, 2013; Vachon and Klassen, 2008). This research (chapter 5 section 5.2.2.5) shows that buyers have taught their suppliers about the codes of conduct and trained their personnel to take the actions necessary for reducing non-compliance. The buyers' human asset specificity for this idiosyncratic investment has appeared to be a common 'supplier development' practice within a hierarchical governance system. Buyers have only trained their immediate suppliers and not the tier-two suppliers. But when a buyer has made such human capital investment, it has not really been generally appreciated by the suppliers. Suppliers can often be reluctant to internalise the sustainability values and to improve their sustainability performance after voluntarily participating in the training. As a result, we see that there have been many occurrences of non-compliance incidents (chapter 5 section 5.2.4). This may explain why buyers have often relied on monitoring and auditing more than on investing their assets in supplier development. However, supplier development has increased both the physical and human asset specificity of the buyers.

On the one hand, idiosyncratic investments by buyers for supplier development actually can reduce the buyers' future transaction costs for monitoring and supplier opportunism in the long run (Mysen, 2011). On the other hand, the specific assets employed by buyers for suppliers' development can be non-recoverable. Therefore, this can restrict buyer flexibility and increase dependency on the suppliers (Heide and John, 1988). In practice, those suppliers who have received training from the buyers rarely faced termination of the relationship. A responsible sourcing manager of one brand explained *"if we find non-compliance, instead of terminating the contract, we provide them (suppliers) with training for our interest, as we need the suppliers for production"*. Thus, high human and physical asset specificity have created dependency among the buyers on their suppliers, which has increased buyers' supplier-switching costs. This can tempt suppliers to take advantage of the buyers' dependency.

Figure 7.2 Scenario ex-post buyer-supplier relationships for hierarchical governance structure creates tendency of suppliers' opportunism

Control can be considered as a means to reduce opportunism (Williamson, 1985), and therefore, buyers have chosen control-based hierarchical governance structures to have direct contact and communication with their suppliers. Buyers have physical asset specificity to develop subsidiary and human asset specificity for the monitoring and training of their suppliers (see figure 7.2). However, we can see from the above discussion that a hierarchical governance structure has created high monitoring, maladaptation and suppliers-switching costs for the

buyers. Moreover, under certain circumstances, a hierarchical governance structure can have unintended effects on the suppliers.

Furthermore, from the suppliers' perspective, suppliers have behaved opportunistically as they were incapable of ascertaining a buyer's true nature, due to the short-term duration of relationships. This short-term relationship in order-based buying contract has created information asymmetry between buyers and suppliers. Suppliers have perceived that there could be great uncertainty of return on their investments if they invested in social compliance. Moreover, the buyers have applied '*behavioural-control*' (Crosno et al., 2015) through control-based governance mechanisms that include supplier monitoring, as well as development and evaluation procedures to achieve their suppliers' social compliance. Suppliers, however, have actually gained from being non-compliant in the short-term, as non-disclosure of social compliance monitoring reports by the buyers could not create competitive pressure among them. In addition, suppliers have faced difficulties in accurately comprehending and distinguishing between their high-low performance in social compliance against buyers' standards, because of performance ambiguity⁴³ (Anderson, 1988). For instance, following multiple codes of conduct has required extra effort from the suppliers, who have faced problems grasping their performance rating based on the multiple standards for compliance among different buyers. Information overload from multiple auditing and evaluation reports has created a maladaptation of the standards for compliance. Thus, the hierarchical governance structure has created performance ambiguity, information asymmetry, maladaptation and lack of competitive pressure for suppliers. Therefore, within this governance structure, the suppliers have engaged in unethical activities due to lack of transparency of procedure, standards and performance measures for social compliance. In accordance with this discussion, a proposition has made:

Proposition 2(b): *In hierarchical governance structure the risk of suppliers' opportunism can persist.*

Opportunism among suppliers can be reduced with possibilities of long-term contracts for production continuation. Suppliers can gain from complying with the buyers' standards when there is the potential for competitive advantage.

⁴³ Performance ambiguity (i.e. performance evaluation problems) relates to difficulty to measure performance and specify outcomes (Anderson, 1988) that can increase uncertainty and opportunism (Dahlstrom and Nygaard, 1999).

(III) Scenario ex-ante for collaborative governance structure

The tragic Rana Plaza incident created controversies about the accountability of multinational corporations. The uncertainty of the situation converted buyer-supplier ex-post transaction cost problems into an ex-ante transaction cost scenario – in which buyers create the multi-stakeholder initiatives. Indirect costs incurred when media reports resulted in significant damage to the reputation of the famous brands and retailers. Reputation effects, stakeholder (e.g. international NGOs, international trade unions) pressure and transaction risks compelled the corporations to evaluate their suppliers' social sustainability performance (i.e. structural safety conditions) and gathered information in this regard to make decisions about continuing or terminating their contract.

In the earlier discussion about scenarios, where buyers operate within the market structure as default (in case of scenario ex-ante during the supplier selection phase) and in the hierarchical structure of direct buyers' control of their suppliers (in case of scenario ex-post when control-based mechanisms are applied), both market-hierarchical governance arrangements created more or less possibilities for opportunism. Uncertainty derived from their suppliers' opportunism and high asset specificity pushed buyers into creating an integrated form of governance structure (see figure 7.3), that is a 'hybrid' of market and hierarchical arrangements (Williamson, 2002). The 'hybrid' or 'collaborative' arrangement used resources from more than one organisation which have different sizes and purposes (Borys and Jemison, 1989). King (2007) claims that when corporation and the stakeholders organise mutually beneficial exchange to address social or environmental problems in collaborative arrangements, transaction costs can be reduced. It is also argued that collaborative governance may help to reduce monitoring costs, as a corporation can avoid internalising an activity that they do not excel at performing (Harrigan, 1988).

This research (chapter 5 section 5.3.2) shows that monitoring, particularly for ensuring structural safety requires the technical knowledge and expertise that an individual corporation lacked. *“Rana plaza incident showed the need of electrical, building and fire safety audits which influenced the brands to take initiatives, but the brands could not do it alone”*. In strategic response to transaction costs and to prevent the possibility of supplier opportunism (non-compliance), a collaborative governance structure was developed to marry the double objectives of transaction risk reduction and the bounded rationality of defending corporate

reputation (see figure 7.3). This collaborative governance arrangement was mutually beneficial for the participatory corporations because they could together combat the common problems of ensuring structural safety and strengthen the supply chain as a whole. Thus, their collaborative governance structure has created the grounds for a multi-stakeholder governance initiative, which is a unique form of governance mechanism. The next proposition is therefore:

Proposition 3(a): *Collaborative governance structure can support a set of multi-stakeholder governance mechanisms in the condition of uncertainty derived from suppliers' opportunism and rationality of defending reputation.*

The uniqueness of collaborative governance lies in its stakeholder participation that goes beyond the buyer-supplier dyad and includes multiple business and non-business actors (Mena and Palazzo, 2012; Müller et al., 2009). In this ex-ante scenario, the corporations initiated the multi-stakeholder governance mechanism that involved trade unions (in the case of Accord) and NGOs in performing a watchdog function, professionals and specialised academics who provided architectural and engineering expertise, and regulatory-bodies that contributed with knowledge and act as advisors. Therefore, this collaborative governance created a legitimacy for supplier control to ensure social sustainability (chapter 5 section 5.3.1).

However, one of the important assumptions of Williamson's (1985) transaction cost theory is that "any governance solution, usually creates another governance problem" (King, 2007, p. 895). This can be also true in this case, as we see there were signs of disagreement among the corporations about the participation of trade unions in the multi-stakeholder initiatives. As a result of that disagreement, the corporations separately formed two multi-stakeholder initiatives instead of a single one. Therefore, corporations negotiated to collaborate only with other corporations and stakeholder groups that they had announced a strong bonding with. The corporations' and stakeholder organisations' well-known reputation for sustainability concerns helped to create the bonding among them to allow them to jointly work for ensuring social sustainability. However, collaborative governance increased each corporation's costs of negotiating and bargaining with the other corporations and stakeholders (see figure 7.3).

A corporation would choose the jointly beneficial option of collaborative governance, as long as its governance choice remained within the optimal production costs, was intended to reduce transaction risks and would willing to improve the social sustainability performance of the suppliers. The multi-stakeholder governance mechanisms were relatively standardised and did

not require massive idiosyncratic investments for training and education to the suppliers from an individual corporation. Instead, each corporation invested considerable physical (financial) assets, while other stakeholders mainly invested human capital (see figure 7.3). This was a win-win situation among the corporations and stakeholders who were participated in the multi-stakeholder initiatives.

Figure 7.3 Scenario ex-ante collaborative governance structure where corporations formed multi-stakeholder initiatives to combat the common social sustainability problems

In this collaborative governance structure, a corporation shared the capital investment with many other corporations to form the multi-stakeholder initiative to improve the social sustainability condition (see figure 7.3). This was a non-transferable investment whose utility was unique to a specific relationship (Hawkins et al., 2008). Investment by one competitor made another corporation choose to contribute to the multi-stakeholder initiatives that may initially have seemed financially non-viable, but socially sustainable. In making this investment, the corporation expected to reduce its supplier opportunism (see figure 7.3). Thus, a corporation created mutually beneficial exchanges with other corporations to make a collaborative effort to form a multi-stakeholder initiative.

In addition, the initiators or participatory corporations needed to be confident that their competitors would provide an ongoing stream of capital investment to carry on the multi-stakeholder initiatives. However, investment in fixed assets that were specific to one issue (in this case the multi-stakeholder governance mechanism), could make the corporation subject to

holdup sustainability problems (Gibbons, 2005). This is because, once the corporations had made this investment and formed the multi-stakeholder initiatives, some might have little incentive to continue such payments, unless they could enjoy the benefits of lower ex-post transaction costs for monitoring and avoiding maladaptation and bargaining with their suppliers.

(IV) Scenario ex-post for collaborative governance structure

In the ex-post (buyer-multi-stakeholder initiatives-supplier) transaction scenario, when multi-stakeholder governance mechanisms were in place, first the suppliers' sustainability performance was evaluated to control opportunism. Analysis performed in this research of the initial evaluation reports by the multi-stakeholder initiatives (chapter 5 section 5.3) revealed that suppliers were violating explicit contractual agreements, such as factory premises situated in residential and commercial as opposed to industrial buildings; unplanned constructions and structure not in accordance with the architectural plan; inadequate safety; locking features in the doors; and lack of maintenance of the machines. As a result, the suppliers identified as running with extreme risks were disqualified from production: "*many small factories lost their production contract and had to immediately close down*". Despite extensive initial screening, the remaining suppliers required subsequent monitoring because of the presence of strong forms of opportunism and a tendency to violate explicit terms, clauses and conditions.

Frequent and ongoing monitoring of compliance with newly established industry-wide standards by the multi-stakeholder initiatives took place to evaluate the suppliers "*if the corrective actions on the factories are going on as planned*". Monitoring under the multi-stakeholder governance took place multiple times and enhanced the buyers' ability to detect opportunism. In addition, through this monitoring, the buyers did not have the unnecessary transaction costs of monitoring, since less human capital investment on the part of the buyers was required to monitor the suppliers in this (ex-post buyer-multi-stakeholder initiatives-supplier exchange) scenario.

As mentioned earlier, in a hierarchical governance structure, buyers' maladaptation costs were high, and resulted from communication, coordination and performance evaluation problems. We can see that in control-based hierarchical governance suppliers had to comply with multiple standards. This research shows (chapter 5 section 5.3.2) that the standards delivered by multi-

stakeholder governance were performance specific and relatively well-defined. In addition, the multi-stakeholder governance mechanisms helped the corporations to obtain reliable information about their suppliers' structural compliance conditions and reduced performance ambiguity. In addition, supplier evaluation reports and corrective action plans were available in the public domain. This multi-stakeholder report-sharing became a form of market communication for participating suppliers. In this way, adequacy of the available information and transparency within the collaborative governance structure, influenced prospective buyers to choose compliant suppliers and created increased pressure on them to implement social responsibility measures.

However, in collaborative-based governance, the costs of negotiation can rise (Dahlstrom and Nygaard, 1999) as the aim of negotiation is to lead to suppliers' agreement to invest in structural improvement. These negotiations were crucial for solving disputes and conflicts in connection with corrective actions and making continuous improvements in social sustainability. Both buyers and suppliers benefited from these negotiations, in which the multi-stakeholder initiatives were valuable allies. The multi-stakeholder initiatives did not make false claims to the suppliers regarding changes or corrections, as multi-stakeholder initiatives' interests were not associated with the corporations' profitability goals.

In addition, there were substantial bargaining costs associated with these negotiation attempts between the parties (Dahlstrom and Nygaard, 1999). However, while participating in collaborative governance with other competitive corporations, an individual corporation improved its bargaining position for controlling its suppliers' social sustainability performance. The bargaining position of the corporations towards their stakeholders was improved by making a difference between those corporations that prioritised workplace safety as a form of social sustainability, and those corporation that did not care so much for social sustainability, and therefore had not been bothered to participate in a multi-stakeholder initiative. However, the corporations who prioritised social sustainability could jointly made demands on the suppliers to improve their social sustainability practices. Through their collaborative effort buyers could prevent opportunistic suppliers by replacing them with suppliers who were compliant with the multi-stakeholder initiatives' standards.

The above discussion is summarised in the following figure (figure 7.4) which shows the collaborative governance structure through which the multi-stakeholder initiatives were

executed. In contrast to the control-based hierarchical governance scenario, collaborative governance became a cost-effective alternative for monitoring social sustainability. Multi-stakeholder participation in monitoring through multi-stakeholder initiatives resulted in better compliance and guaranteed the fulfilment of contractual obligations.

Figure 7.4 Scenario ex-post collaborative governance structure (where multi-stakeholder initiatives were employed) created a significant reduction of strong form of suppliers' opportunism

Theoretically, a strong form of opportunism, such as the deliberate violation of an agreement can be easily repaired because formal remedies for problem solving are clearly defined in the contracts (Luo et al., 2015). This was the case in the studied event. The analysis of empirical material (e.g. supplier structural assessment reports) at the later stage of follow-up monitoring (chapter 5 section 5.3.4) shows a significant reduction in the strong form of supplier opportunism, as on-going corrective actions were undertaken by the suppliers. For example, factories were moved from commercial premises to industrial buildings, unplanned constructions were removed and different safety measures were deployed, to mention a few.

Moreover, reductions in opportunism could have several causes. In the ex-post buyer- multi-stakeholder initiatives-supplier transaction scenario, when a number of suppliers started to become compliant with the multi-stakeholder initiatives standards, it created *competition* among them as the buyers could easily threaten to replace an opportunistic supplier. A supplier had higher probability of deciding to comply with the standards of a multi-stakeholder initiative, when being complaint increased its *bargaining power*. ‘*Relational contract*’⁴⁴ (Gibbons, 2005) the promise of benefit for future exchange could be crucial as these would enable the buyers to propose a contract extension for future production if the suppliers remained committed to continuing social sustainability practices. Therefore, it encouraged the suppliers to deal honestly in the current period. Multi-stakeholder initiatives used *outcome-based control* (Crosno et al., 2015) to evaluate the performance of the suppliers’ compliance against well-defined standards, instead of using the behavioural-control of the suppliers.

Nevertheless, buyers used the traditional carrot-and-stick-approach of external incentives or sanctions to temporarily override the short-term behaviour of the suppliers, rather than changing the internal motivation system. Because of this, the self-interest-seeking behaviour of the suppliers would normally be expected. Generally, actors behave opportunistically when the short-term gains of opportunism exceed the long-term gains (Williamson, 1993). A supplier’s social sustainability improvement required physical asset specificity that was costly in the short term, for instance, providing fire safety equipment and improving building structures. A supplier would try to gain advantage by attracting new buyers, and in that process, suppliers would like to *create market barriers* for their competitors. The supplier would not take the risk of being left behind when other suppliers, their competitors started investing in improving structural safety for social sustainability. Suppliers who become compliant can get a *competitive advantage* by creating a reputation for being reliable and honest, and thus, the chance of opportunism in the future is mitigated by the effects of reputation. In contrast, reputation effects relentlessly track those suppliers who breach contracts (Williamson, 1993) and as a result, their contracts terminated. Therefore, a proposition has created:

Proposition 3(b): *Collaborative governance structure can create a reduction in suppliers’ opportunism.*

⁴⁴ Relational contract is built upon the promise of future beneficial exchange to control the threat of post contractual opportunism (Gibbons, 2005). The heart of relational contract is the promise of reward from future exchange relations, rather than arranging the exchange as an agreement on-time. The parties are motivated to behave honestly as defection at any point may cause the termination of future benefits.

(V) Scenario ex-ante for relational governance structure

The multinational corporations have also become involved in an alternative governance structure which is relational governance. In the ex-post scenario, after the relationship has been inaugurated with the suppliers, corporations are often involved in contractual cross-sectoral relationships with non-business actors e.g. NGOs to provide social development (chapter 5 section 5.4.2), which is a form of social sustainability. Multinational corporations are for-profit organisations while NGOs work in the public interest. Therefore, in this ex-ante scenario of the Corporate-NGOs' cross-sectoral relationships, corporations may not create alliances, such as multi-stakeholder initiatives, and may not create any separate organisation by acquiring or merging with an NGO. Thus, certain governance structures, such as the collaboration or hybrid are impossible. Therefore, 'relational contracting' between corporations and NGOs has required repeated exchanges with the promise of gaining more (in this case social development) from future exchanges (Gibbons, 2005). Through relational governance, meaningful relationship-building between the giver (corporations) and receiver (the suppliers, workers and community) have come about while undertaking social development. The proposition is therefore:

Proposition 4(a): *Relational governance structure can endorse corporations to have cross-sectoral governance mechanisms with non-business actors (e.g. NGOs) to provide social development for the workers and community without expecting any specific economic return from them.*

The corporations have become involved in cross-sectoral relationships for social development through non-commercial activities because they want to provide healthcare for the workers, enhance worker empowerment and facilitate community development without expecting any specific economic return from the workers and community (chapter 5 section 5.4.3). However, these efforts can bring indirect economic benefits to the corporations through tax rebates from the government (Kumar and Rahman, 2015; Linton et al., 2007) and enhanced reputation (Hoejmose et al., 2014).

Furthermore, the corporations have to search for and bargain with potential local NGOs with whom they can form cross-sectoral cooperative governance. To screen and search each NGO for cooperation, corporations have relied mostly on the personal contacts of the responsible sourcing managers in the subsidiary and on networking with the NGOs insiders (chapter 5 section 5.4.3.1). Uncertainty has been prevailed, as social development was non-core activity

for the corporations who were unfamiliar, inexperienced and new to the implementation of social development. Corporations were not familiar with dealing with the local NGOs, though credible commitments have been noticeable on both sides. The corporations have needed to monitor the transactions for each social development project separately, and this has negatively influenced transaction costs. However, only a few corporations have monitored social development project implementation (chapter 5 section 5.4.3.3). The reasons can be solidarity for the common interest and the expectation of sharing benefits (Heide and John, 1992; Ouchi 1979) between corporations and NGOs for social development.

Figure 7.5 Scenario ex-ante relational governance structure where corporations and NGOs cooperate to implement social development projects

However, if NGOs refuse reciprocal activities, for instance, if they do not deliver on the agreed-upon efforts to implement social development projects, their funds provided by the corporations can be reduced or donations can be ceased in future. This may result in NGOs’ obtaining in the poor reputation in the form of social sanctions. Relational governance structure has become preferable over market contracting or hierarchical structures, despite the resulting increase in the corporations’ asset specificity and negotiation costs with the NGOs (figure 7.5). This is because, the corporations and the NGOs involved in a cross-sectoral governance have a mutual interest to enhance their reputation. For example, both corporations and the NGOs have stated

each-other's names in the public domain when they have been cooperating for social development (chapter 5 section 5.4.3.6). The figure (figure 7.5) illustrates the relational governance structure where corporations and NGOs cooperate.

(VI) Scenario ex-post for relational governance structure

In the ex-post, buyer-NGOs-supplier transaction scenario, the buyers' transaction costs for negotiating with the suppliers can increase, as buyers need to convince the suppliers to allow NGOs to operate and to implement social development projects in the suppliers' premises (see figure 7.6). If a buyer has invested in a particular supplier for training under social development projects, it could be difficult for them to change that supplier as switching costs increase, even when the supplier's quality could slip in terms of not paying wages on time and other issues. However, only very few local suppliers have been available to participate in the provision of social development projects, as some suppliers have perceived that participating in social development projects requires sacrificing production time.

On the one hand, the behavioural uncertainty of the suppliers has been reduced as buyers have been working more closely with their suppliers and they have obtained reliable information about each other, which eliminated the fear of sanction (see figure 7.6). On the other hand, the corporations' provision of social development has required investing in human and physical asset specificity together with the NGOs, and this assets specificity may not have alternative uses. Thus, it has given the suppliers some 'holdup' bargaining power, as the buyers have become dependent on the suppliers for assets specificity.

However, buyers have faced some opportunistic hazards, for instance, suppliers can 'holdup' by demanding additional compensation after the agreed-upon commitment to participate in social development. Few suppliers have shown signs of 'cheating' and not delivering the promised effort (chapter 5 section 5.4.5). Examples would be that instead of facilitating training for the workers under the social development project, indulging in faking workers' signature to show false attendance evidence to the buyers.

Figure 7.6 Scenario ex-post relational governance structure where corporations convince the suppliers to allow NGOs to implement social development projects in suppliers' premises

However, a relational government structure can influence suppliers as it stimulates a change in motivation from external incentives to internal ones, through supplier involvement in social dialogue with the workers. In addition, providing training in worker health-hygiene and training in worker rights-and-responsibility under the social development projects, all of this can be ultimately beneficial to the suppliers (see figure 7.6). Poor health and wellbeing can cause higher absenteeism, whereas awareness of health-hygiene can contribute to less worker turnover. If workers can understand their rights, such as their basic salary, how many hours they are allowed to work overtime, their pay rate, how many days they can have sick leave or maternity leave, this knowledge can save them from being exploited. Buyers would be more interested in having business transactions with suppliers who have empowered workers. Undeniably, creating shared values between buyer and supplier for improving workers wellbeing and empowerment requires investing time and effort by both parties (Brown et al., 2000; Ouchi, 1980). The proposition is therefore:

Proposition 4(b): *Relational governance structure can create possibility of reducing supplier opportunism.*

Based on TCE, it has been argued that buyers' uncertainty, asset specificity, as well as their bounded rationality and supplier opportunism are the rationale behind choosing one supply chain governance structure over another. In addition, this research shows different governance structural arrangements in specific ex-ante and ex-post situations, and these also shows the differences in transaction costs in different situations. The choice of governance structures to control (or not control) opportunistic behaviour for social sustainability performance improvement can also depend on the transaction costs (see table 7.2).

Table 7.2 The combined impacts of different factors (i.e. opportunism, asset specificity, transaction costs) on the choice of governance structures for social sustainability in ex-ante and ex-post scenarios

Governance structure	Scenario Exchange partners	Supplier opportunism	Asset specific investment		Transaction costs					
			Physical (financial)	Human resource	Ex-ante	Ex-ante	Ex-ante	Ex-post	Ex-post	Ex-post
					Exchanging information to find the exchange partners	Negotiation	Bargaining	Monitoring	Maladaptation	Switching
Market	Ex-ante Buyer-supplier	High	N/A	High	High	High	High	N/A	N/A	N/A
Hierarchical	Ex-post Buyer-supplier	High	High	High	N/A	N/A	N/A	High	High	High
Collaborative	Ex-ante Buyer-multi-stakeholder initiatives	N/A	High	N/A	High	High	High	N/A	N/A	N/A
	Ex-post Buyer-multi-stakeholder initiatives-supplier	Low	High	Low	N/A	High	High	Low	Low	Low
Relational	Ex-ante Buyer-NGOs	N/A	High	N/A	High	High	High	N/A	N/A	N/A
	Ex-post Buyer-NGOs-supplier	Low	High	High	N/A	High	High	Low	Low	High

This research suggests that market and hierarchical governance structures both have high transaction costs and a high risk of supplier opportunism. Despite high transaction costs in the formation phase, collaborative governance structure has low supplier monitoring, maladaptation and supplier switching costs that also have led to reduction in supplier opportunism. Therefore, a collaborative governance structure can be better than market and hierarchical governance structures. Furthermore, even though the relational governance structure has increased transaction costs for negotiation, bargaining and supplier switching costs, it can create positive outcomes of social sustainability.

7.2. Chapter summary

Previous empirical studies of the RMG industry in Bangladesh use TCE to analyse the buyer-supplier exchange for social sustainability. The details are discussed in chapter 3 section 3.1.4. Earlier research identifies “good, bad, ugly” positive outcomes and negative aspects of the social sustainability compliance process of the suppliers in market and hierarchical governance structures (Huq et al., 2014a). According to Huq et al. despite high transaction costs, a hierarchical governance structure is more suitable than market governance for enforcing socially sustainable practices among developing country suppliers, given that a market form of governance creates high levels of bounded rationality and opportunistic behaviour (ibid). Furthermore, earlier research of the sustainable supply chain governance has been used TCE to study buyer-supplier relationships and analyse the effectiveness of two governance mechanisms ‘assessment-based’ and ‘collaboration-based’ to improve sustainability performance (Sancha et al., 2016a, b; Gimenez and Sierra, 2013). Their results suggest that when buyers impose assessment, instead of collaborating with their suppliers, it poses the risk that suppliers can behave opportunistically.

Compared to earlier studies, this work presents an exploratory study that analyses the exchange relationships (between buyers-suppliers, buyers-multi-stakeholder initiatives-suppliers, buyers-NGOs-suppliers) in ex-ante and ex-post scenarios to describe different market-based, hierarchical, collaborative and relational governance structures in the context of the RMG industry. This research shows that differences of transaction costs in ex-ante and ex-post scenarios can influence the choice of governance structures. The effects of these transaction costs in choosing governance structures have also largely been neglected in former empirical research.

This chapter presents market-based, hierarchical, collaborative and relational governance structures that vary in different contexts (scenarios). The discussion in this chapter shows that the choice of governance structures is influenced by environmental uncertainty and human behavioural factors, such as buyers' bounded rationality and supplier opportunism. The choice of governance structures depends on ex-ante transaction costs of searching for business and non-business exchange partners, negotiation costs, bargaining costs, and ex-post transaction costs of supplier monitoring, costs of administration, costs of maladaptation, costs of supplier-switching and indirect costs derived from reputation damage. By using a TCE lens and from the findings of this research, different propositions have been presented to guide future research. Future research can measure positive and negative relationships between transaction costs, e.g. bargaining, monitoring, and maladaptation costs and sustainability performance.

In the previous chapter (see chapter 6.4), governance mechanisms (e.g. buyer-driven control-based, multi-stakeholder-based and cross-sectoral-based) were discussed. This chapter has also shown that a governance structure endorses a set of governance mechanisms in a particular context. Therefore, supply chain governance is a combination of systems which consists of governance structures that support certain governance mechanisms (see table 7.3).

Table 7.3 The choice of governance structures and mechanisms for reduced associated transaction risks of opportunism

Supply chain governance	Market-based system	Hierarchical control-based system	Collaborative multi-stakeholder-based system	Relational cross-sectoral-based system
Governance structure	Market-based governance structure	Hierarchical governance structure	Collaborative governance structure	Relational governance structure
Governance mechanisms	N/A	Buyer-driven control-based governance mechanisms	Multi-stakeholder-based governance mechanisms	Cross-sectoral-based governance mechanisms
Transaction risks of opportunism	Increase risk of suppliers' opportunism	Supplier tendency of opportunism	Supplier opportunism reducing	Intended to eliminate supplier opportunism from the root

An effective governance structure is one that employs a set of governance mechanisms to reduce the transaction risks with associated opportunism. The supply chain governance structure is characterised by uncertainty and asset specificity, as well as buyers' bounded rationality and supplier opportunism. A *hierarchical governance* structure leads to high asset

specificity (both human and physical) because of increased monitoring efforts on the part of the buyers through control-based governance mechanisms. These monitoring efforts do not necessarily constrain supplier opportunistic behaviour, even if they do not foster it (see table 7.3). In contrast, a *collaboration governance* structure increases the short-term physical asset specificity of the buyers to facilitate the administration expenses of the multi-stakeholder initiatives. However, it reduces buyers' internal human asset specificity and monitoring costs. Also, it creates the possibility of receiving reliable information about the suppliers through publicly available monitoring report of multi-stakeholder initiatives. This kind of information is not available through control-based governance mechanisms. This governance structure decreases buyers' indirect costs of reputation damage, transaction risks and in the long run reduces supplier opportunism (see table 7.3). Suppliers opportunism decreases because there are clear threats to replace an opportunistic supplier. In addition, being structurally compliant increases a supplier's bargaining power, gives the possibility of a long-term production contract, and creates a potential competitive advantage. Lastly, in the *relational structure* of governance, it is seen that despite buyers' high asset specificity (both human and physical) for providing funding to the NGOs to jointly undertake social development projects for the suppliers and the workers that governance structure is intended to the elimination of supplier opportunism from root (see table 7.3). This is because, as opposed to external sanctions or incentives, a relational structure can serve as a moral control against opportunism and promote commitment.

In this sense, an obvious question can arise, as relational-based cross-sectoral governance and collaboration-based multi-stakeholder governance allow corporations to reduce supplier opportunism, then why are these governance mechanisms not wide-spread in the industry as an alternative to control-based mechanisms in hierarchical governance system? Moreover, why is it that still so many social sustainability problems persist? The answer lies in the perceived transaction costs of the buyers. A buyer can choose to avoid high asset specificity investments in the short-term and take advantage of a supplier's opportunism. Therefore, in this research case we have seen that multi-stakeholder governance mechanisms did not continue after the end of the five-year projects⁴⁵. In addition, without allowing a competent authority to emerge as a replacement, the government insisted on stopping the multi-stakeholder initiatives as a

⁴⁵ "The Alliance for Bangladesh Worker Safety has ceased operations on December 31, 2018" (Source: <http://www.bangladeshworkersafety.org/>)

parallel governance mechanism⁴⁶. This shows a clear tendency to disregard the collaborative governance structure (with multi-stakeholder mechanisms) for both external reasons (e.g. government intervention) and internal motives (e.g. buyers' lack of interest in continuing asset specificity). If asset specific investments are made by the buyers, it can be hugely beneficial in the long term for social sustainability performance. Moreover, a governance structure involves a complex form of relationships. Therefore, to choose an effective governance structure through the process of determining the exchange factors i.e. bounded rationality, uncertainty, asset specificity, opportunism has its limitations. Buyers can prioritise a reduction in transaction risks and embrace collaborative structure for a short-term period, or they can decide to have a long-term relationship with their suppliers at some point in time. A corporation can change its sustainability goals over time, thus, choice of governance structure can also shift.

Insight from this research can help managers understand what factors, such as transaction costs and others, should be considered when choosing governance structures and mechanisms for effective outcomes of social sustainability with reduced associated transaction risks of opportunism. Generally, this study shows that TCE is useful for understanding exchange between business and non-business entities in the supply chain. Business and non-business stakeholder together can develop governance structures that would support a set of governance mechanisms for social sustainability. The next chapter will discuss the stakeholder engagement for social sustainability.

⁴⁶ The multinational brands and retailers after the five years of work and investment through the Accord and the Alliance as multi-stakeholder initiatives, which has resulted ensuring structural and occupational safety in Bangladesh garment factories the governance mechanisms came to an end because of government intervention, where there is still no adequate government regulatory enforcement. [source 1: IndustriAll global union (2019) The Accord must continue in Bangladesh until the government is truly able to ensure worker safety (online) published 15 April 2019, available at: <http://industrialunion.org/global-unions-the-accord-must-continue-in-bangladesh-until-the-government-is-truly-able-to-ensure>; source 2: Safi, M. (2018) Bangladesh to eject safety inspectors brought in after Rana Plaza disaster, the Guardian (online) 28 November 2018, available at: <https://www.theguardian.com/world/2018/nov/28/international-inspectors-to-leave-bangladesh-after-factory-fire>]

Chapter 8. Stakeholder Engagement for Social Sustainability

Today corporations are working on improving social sustainability performance with many stakeholders. Stakeholders are those who can influence corporations, or can be influenced by corporations (Freeman, 1984). By using stakeholder theory (Freeman, 1984; Mitchell et al., 1997), this chapter presents different stakeholder involvement or non-involvement for social sustainability performance. The social sustainability performance of corporations is another discussion point of this chapter, which aims to answer the third research questions: *How can stakeholder engagement create improved social sustainability performance?*

8.1. Significance of Stakeholder Engagement for Social Sustainability

The findings of this research indicate that multinational corporations engage with the stakeholders, such as suppliers, competitors, multi-stakeholder initiatives, non-government organisations, workers and community to improve their social sustainability performance. The significance of stakeholders in improving social sustainability is explained following Mitchell et al.'s (1997) classification of stakeholder attributes: power, legitimacy and urgency. *Power* is the ability to influence others to get desired outcome; *legitimacy* is the degree of desire and appropriacy of the actions of an entity; and *urgency* is the level of stakeholder demand for instant actions. Stakeholder engagement is analysed based on these three attributes, but every stakeholder can have none, or more than one, or all of these attributes. The more powerful, legitimate and urgent a stakeholder is, the more the engagement of that stakeholder becomes essential for improving social sustainability performance proclivity (Mitchell et al., 1997). Figure (8.1) shows two spheres: Stakeholder pressure and Stakeholder engagement.

Stakeholder pressure on the corporations for improving social sustainability is well documented in previous research (Yu and Choi, 2016; Huq et al., 2014a; Perez-Batres et al., 2012; Tate et al., 2010; Seuring and Müller, 2008). Several studies show that stakeholders, such as customers, international NGOs, media, trade unions, and competitors influence corporations (Deegan and Islam, 2014; Ehr Gott et al., 2011; Ciliberti et al., 2009; Tsoi, 2010; Park-Poaps and Rees, 2010; Campbell, 2007). Previous research as well as this research has observed that in the ready-made garment industry, pressure from the local trade unions and host country

government on the multinational corporations to be socially sustainable is lacking (Huq et al., 2016). This research (chapter 5 section 5.3.1) identifies that one type of stakeholder group – international NGOs, under the guise of activist or social movement organisation, for example the Clean Clothes Campaign⁴⁷ campaigns widely for labour rights issues to raise public awareness and create pressure on the corporations. Another type of stakeholder group – the international trade unions, for instance UNI Global Union⁴⁸ and IndustriALL⁴⁹ take a more direct route to influence the behaviour of the corporations by playing the role of watchdogs. The stakeholders, who influence the corporation, have the legitimacy to run negative campaigns (Mitchell et al., 1997) to express actual and potential harms. By doing this they can support the affected party. Therefore, a proposition is formulated:

Proposition 5(a): *The international NGOs and international trade unions put pressure on multinational corporations which is necessary for improving social sustainability performance, especially when pressure from the local trade unions and pressure from host country government is lacking.*

⁴⁷ Clean Clothes Campaign is non-profit organization of partner network in Europe that lobby campaigns, educate and mobilise consumers, and provide direct solidarity support to workers (<https://cleanclothes.org/about>)

⁴⁸ UNI Global Union represent retail, distribution, skills and service sectors workers in global level (<https://www.uniglobalunion.org/about-us>)

⁴⁹ IndustriALL Global Union represent textile workers in Bangladesh and mining, energy and manufacturing sectors in across supply chain in global level (<http://www.industrialunion.org/about-us>)

Figure 8.1 Stakeholder pressure and stakeholder engagement sphere for social sustainability

Stakeholder pressure is presented in the outer circle and stakeholder engagement is presented in the inner circle of the above figure 8.1. The reasons for placing MNCs in the centre is explained later in this chapter (see section 8.2).

Stakeholder engagement is ambiguous. The stakeholders e.g. international trade union and NGOs put *legitimate* pressure on the corporations to take *urgent* actions on sustainability problems. Their *powerful* actions make corporations meet their demands. In contrast, stakeholders mainly international and local NGOs instead of working as opposition, can work hand in hand with the corporations. This means that some international and local NGOs participate with the corporations towards bringing about social sustainability rather than creating conflict with the corporations to push them into improving sustainability issues. Therefore, these stakeholders are presented in the stakeholder engagement sphere. This leads to the following proposition.

Proposition 5(b): *The attributes (power, legitimacy and urgency) of international NGOs can change based on the problems they are dealing with.*

The findings (chapter 5 sections 5.2, 5.3, 5.4) show the broader social, structural, worker vulnerability and community specific issues involved in social sustainability within and beyond the supply chain, and where the solutions to these issues require stakeholder engagement. This research identifies that corporations engage with stakeholder to attempt to solve complex sustainability problems (see table 8.1). (i) Corporations delegate responsibility to stakeholders for social compliance auditing, (ii) Corporations collaborate with stakeholders to eliminate structural safety risks, (iii) Corporations participate with stakeholders to address workers and community specific problems (iv) Suppliers implement (or do not implement) standards of compliance (v) Workers and community act as the recipient of the development programmes.

Table 8.1 Stakeholder engagement for social sustainability

Stakeholder engagement in different situations	To address social compliance issues	To solve structural compliance issues	To handle workers health and empowerment related issues
Corporations delegating responsibility to auditing firms	Third-party auditing, External accredited auditing organisations	N/A	N/A
Competitors (corporations) collaborating	N/A	Competitors form multi-stakeholder initiatives, where regulatory experts, compliance advisors, engineering consultants, Int. NGOs, Local NGOs, in some cases trade unions engage	N/A
NGOs participating with corporations	N/A	N/A	International organisations (e.g. UKAid, USAid, Sida, DANIDA, GIZ, UNISEF) and local NGOs
Suppliers as rule-target for implementing standards	Supplier assessment, and supplier development through training	Supplier assessment and supplier involvement	Supplier development and involvement
Workers and community as recipients	Workers training for informing workplace rules and regulations	Workers training in workplace safety	Workers training in health-hygiene for improving wellbeing and training in rights and responsibility for empowering

(i) Corporations delegating auditing responsibility to the stakeholders

Some corporations use sourcing intermediary firms to select the suppliers based on low cost production, for controlling quality and securing on time delivery (Vedel and Ellegaard, 2013). The findings of this research (chapter 5 section 5.2.2.3) show that multinational corporations also employ the *intermediary firms* or the *third-party auditing firms* to monitor and follow up on the social compliance conditions, such as workers' wages, working hours, workplace issues of the suppliers, even for providing training for improving compliance based on the *urgent* needs of a situation. Few corporations delegate auditing responsibility to the *external accredited auditing organisations*, such as SEDEX, SA8000, or WRAP of which in some cases the corporations are the founding members. From the findings of this research, it has been identified that third-party auditing is not trusted by the buyers, because of the tendency of the suppliers to bribe third-party auditors, or due to the buyers' fear of losing control over their

suppliers. Therefore, some of the corporations who have subsidiaries in the country of their operations, perform social compliance auditing using their in-house responsible sourcing team. A proposition is formulated:

Proposition 6: *Corporations can delegate auditing responsibility to third-party auditing, but there can be a lack of trust as suppliers get involved in unethical practices.*

(ii) Corporations collaborating with stakeholders for structural compliance issues

Collaboration with competitors is carried out if there are pre-established associations among the organisations (Cao and Zhang, 2011; Austin, 2000). Corporations that are competitors use their *power* to demand instant action for eliminating safety hazards. This research shows that (chapter 5 section 5.3.1), corporations solve technically complex sustainability issues, such as building collapse and structural safety by collaborating with competitors and becoming involved with multiple stakeholders for governing the supply chain. *Competitors* come together to jointly undertake responsibility for forming *multi-stakeholder initiatives* during *urgency* when the stakeholder (e.g. customers, international NGOs, media) demand instant actions. Corporations who do not want to participate in MSI face pressure from their peers. This means that:

Proposition 7(a): *Corporations can collaborate with competitors to develop multi-stakeholder initiatives as a result of stakeholder and peer pressure.*

As actors, the ‘*multi-stakeholder initiatives*’ are not necessarily the legislators, but instead are standards setting and certification bodies who hold authority to enforce their standards. The MSIs have both power and legitimacy (Mitchell et al., 1997). The MSIs have *power* as they rightfully enforce their standards on the suppliers and gain *legitimacy* by involving continuous negotiation to push for structural compliance improvement. Moreover, inclusivity of the multiple stakeholders in such multi-stakeholder initiatives gives legitimacy in the eyes of the external stakeholders who do not participate in the MSIs. MSIs include different kinds of stakeholders for different orientations. These include a number of competitor corporations for financing, standard-setting and decision-making with the help of advisors, regulatory experts, consultants, trade unions (in case of the Accord); implementation of the standards and supporting negotiation by MSIs; inspection by the external engineering firms and MSIs;

involvement of NGOs in supporting workers training, providing complaint mechanisms, hotline telephone services for reporting fire hazards. Most importantly, supplier involvement for remedial activities through financing and facilitating worker training brings credibility, wider acceptance and improved structural performance. In accordance with this, the following proposition has been made:

Proposition 7(b): *Multi-stakeholder initiatives through involvement with different stakeholders can improve suppliers' structural compliance performance.*

(iii) Corporations participating with stakeholders to improve workers' life

Corporations develop projects with their cross-sectoral cooperative partners – international and local NGOs, to address workers' vulnerability (chapter 5 section 5.4.2). Corporations partly or fully fund these development projects. In this situation, the role of the NGOs is that of an operational partner, rather than one pertaining to advocacy or activism. The NGOs help corporations to overcome their inexperience and newness to enable them to contribute to the community and to worker wellbeing and empowerment. The local NGOs are more powerful actors when they are facilitators and corporations depend on them to implement social development project. Local NGOs are less influential actors when they participate in the multi-stakeholder initiatives as their participation is not mandatory, however, a multi-stakeholder initiative is inevitable, as such initiatives are the key actor for eliminating of structural safety risks. The proposition is therefore:

Proposition 8(a): *International and local NGOs can be more influential in some situations than others, depending on the problems they handle and the stakeholders they engage with.*

Stakeholder groups like *international donor organisations*, for example UKAid, USAid, Sida, DANIDA, GIZ, UNISEF participate in some of the social development projects together with the corporations when they provide funding to the local NGOs. The *local NGOs* depend financially on the corporations to achieve their mission and have to share progress reports on their social development projects with the corporations. The local NGOs “*work not only in the ‘push’ factors [...]but also in ‘pull’ factors in collaboration with brands*”. Corporations are dependent on the local NGOs, who have the experience, *legitimacy* and a long history of

working in different areas of sustainable development, for the execution of the projects. A proposition is developed:

Proposition 8(b): *Corporations can be dependent on the local NGOs to execute social development projects and local NGOs can financially be dependent on the corporations.*

(iv) Suppliers are expected to implement standards of compliance

Corporations can use sanctions and exercise power over the suppliers to prevent non-compliance with the codes of conduct, in those situations where the suppliers have agency to take actions or inactions. Suppliers can identify or reject the codes of conduct. Suppliers acquire possibilities for development through receiving training and education from the buyers. Supplier development involves idiosyncratic investment by the buyers to train the suppliers (Sancha et al., 2016a; b) in codes of conduct, to help them overcome non-compliance issues and to teach them how to train their workers to improve social sustainability related aspects which are not directly related to economic aspects of sustainability (chapter 5 section 5.2.2.5). These supplier development programmes aim to reduce information asymmetry and reduce excessive dependency on auditing. Supplier development is practiced widely in the tier-one supply chain; however, it cannot reduce opportunism of the suppliers as much as expected by the buyers because of the top-down approach to implementation. Supplier development through frequent dialogue and visits to suppliers can give better result, compared to when suppliers passively receive training from the buyers. The proposition is:

Proposition 9(a): *Suppliers' development through extensive training and education by the buyers may not necessarily improve social compliance performance.*

Corporations can apply soft pressure on the suppliers instead of direct threats and persuade them to facilitate trainings for their workers in health-hygiene and rights-responsibility. Suppliers may not always provide the environment, time and opportunity for the workers to participate in these training sessions. If the suppliers have agreed to take partial responsibility for implementing the training programmes, they have to submit a 'session plan' for training and a participant list with signatures to the corporations as evidence that they have performed worker training under the projects. The proposition is:

Proposition 9(b): *Suppliers' willingness and involvement are necessary for improving workers' health condition and ensuring workers' rights.*

(v) Workers and community act as the recipients of the development programmes

The workers and community are at the recipient end of the corporate-driven initiatives for social sustainability. These stakeholder groups possess urgency but no power (Mitchell et al., 1997). There is a tendency for suppliers to silence the voices of marginalised stakeholders, i.e. front-line workers. The findings (chapter 5 section 5.2.2.5) show that some workers receive orientation training from the factory management about factory policies on absence procedure, disciplinary procedure and workplace security procedure, but rarely receive any training about their rights and responsibilities. In addition, the workers receive fire and workplace safety training from the multi-stakeholder initiatives (chapter 5 section 5.3.4). Corporations in joint social development projects with the NGOs provide health-hygiene training and rights-and-responsibility trainings for some of the workers. This research (chapter 5 section 5.4.5) shows that corporations need to incorporate the marginalised voices in their CSR policies, and not only consider them as passive recipients who should develop or support the joint initiatives of the MNCs and the NGOs. Instead, it is worth reflecting on these workers voices with their own agency, so that the development of workers and community can be carried out through a bottom-up practice which is based on the needs of the recipients. This means that:

Proposition 10: *Corporations need to put the marginalised stakeholders e.g. workers and community at the centre, while developing and implementing the CSR policies for improving worker empowerment, wellbeing and community development.*

In summary, stakeholder pressure and stakeholder engagement (stakeholder, such as corporations, multi-stakeholder initiatives, local NGOs, suppliers, and worker participation) are important to achieve improved social sustainability performance. From the empirical evidence provided by this research and in the light of stakeholder theory, it is argued that stakeholder engagement in social sustainability depends on the relative power, legitimacy and urgency attributes the stakeholder possess. Some stakeholders are more influential in one situation than in other, therefore, corporations need to prioritise stakeholder engagement on the basis of their power, legitimacy and urgency in that situation. By integrating earlier literature and the findings of this research, different propositions have been presented to guide future research into stakeholder engagement in the developing country context. Researchers can empirically test these propositions and further develop interesting theories. Next, social sustainability performance from the perspective of the corporations is discussed.

8.2. Corporations' social sustainability performance

A fundamental idea of stakeholder theory is that the corporation should not only consider the interests of its shareholders but also consider its stakeholders' interests (Freeman, 1984). In the complex web of stakeholder interactions, multinational corporations are placed at the centre of the figure (see figure 8.1), and they are being the 'definitive' stakeholder who possess all three attributes: power, legitimacy and urgency (Mitchell et al., 1997). The corporation as the buyer has been recognised in the literature as the *powerful* actor in the supply chain (Touboullic et al., 2014; Cox and Chicksand, 2007; Cox et al., 2007; 2002). Studies also show that corporations impose pressure on suppliers to make them follow certain standards and codes of conduct (Huq et al. 2014a). The fact that corporations attempt to increase their *legitimacy* by providing answers to their stakeholders about their sustainable practices in the supply chain, is also receiving much research attentions (Yu and Choi, 2016; Perez-Batres et al., 2012; Tate et al., 2010; Seuring and Müller, 2008). However, *urgency* has been rarely described in the literature.

From the contextual information presented in this thesis, as well as from the discussion of the underlying stakeholder theoretical lens, a framework for 'supply chain governance for social sustainability performance' and a 'scale of corporations' social sustainability performance outcomes' is proposed to illustrate the supply chain governance of the corporations in the upstream supply chain. Below, the basic premises of the framework are presented.

A framework of supply chain governance for social sustainability performance

From the findings of this research, a framework of 'supply chain governance for social sustainability performance' is developed (see table 8.2). The framework formalises the emerging themes from the findings and incorporates stakeholder theory to offer a fresh perspective on SSCG. The framework acknowledges the existing scale of corporate strategy-responsibility-performance developed by Clarkson (1995) (see chapter 3, table 3.2.) by referring to state of corporate responsibility and corporate performance. In line with the findings of this research and combining these with stakeholder theoretical lens (Mitchell et al., 1997; Freeman, 1984), this framework aims to highlight the link between supply chain governance and the social sustainability performance of the corporations. The framework underpins four systems of supply chain governance (that were shown in chapter 7 section 7.2) and illustrates how each governance system is directly related to different social sustainability goals of the

corporations, corporations’ responsibility for social sustainability and corporations’ social sustainability performance. The framework is described below and explains the details of each governance system and engages in more theoretical discussion.

Table 8.2 A framework of supply chain governance for social sustainability performance

Supply chain governance	(I) Market-based system	(II) Hierarchical control-based system	(III) Collaborative multi-stakeholder-based system	(IV) Relational cross-sectoral-based system
Corporations’ social sustainability goals	To obtain legitimacy from the stakeholders (e.g. media, trade unions) formatting codes of conduct	To implement codes of conduct for ensuring social compliance	To ensure workplace structural safety for improving structural compliance	To provide worker wellbeing, empowerment, and community development
Corporations’ responsibility for social sustainability	Corporations deny responsibility and do not enforce codes of conduct on suppliers.	Corporations admit responsibility and walk-alone to accommodate some compliance measures that may comply with one or few requirements of codes of conduct, but that do not have a big impact on their reputation.	Corporations accept responsibility and develop or engage in multi-stakeholder initiatives to defend damage reputation	Corporations proactively commence themselves in social development by involving in cross-sectoral cooperation with NGOs to attain corporate value and implement CSR policies, that leads to increase brand value and reputation.
<i>Example</i>	Do not care if the suppliers are subcontracting in unauthorised places, excessive working hours and pay low wages to the workers.	Removing child labour from tier-one suppliers but still exist in the unregulated subcontracting.	Formatting the Accord/Alliance after Rana Plaza disaster, public reporting of the structural compliance	Social development projects for the community and workers’ welfare through the alleviation of adverse effects on health and welling, introducing worker empowerment, and childcare centre development.
Corporations’ social sustainability performance	Exploitation	Reduction of harm	Elimination of harm	Social development

(I) Market-based system

In the *market-based system*, the corporations express their commitment to sustainability through their codes of conduct to obtain legitimacy from the stakeholders (e.g. media, trade unions), as suggested by several previous researches (Jiang, 2009a; Preuss, 2009; Perez-Batres et al., 2012). But in reality, corporations often manage the supply chain in such a way that exploitation still takes place (Egels-Zandén and Lindholm, 2015; Lund-Thomsen and Lindgreen, 2014). Corporations do less than required by the legislation and codes of conduct, although they hold a legitimate right (Mitchell et al., 1997) to oblige their suppliers to follow codes of conduct based on the supplier ‘statement of agreement’. Thus, corporations avoid taking responsibility for social sustainability, when economic considerations are their central concerns. This practice is followed by their suppliers who are seen to prioritise short-term economic benefits. The findings (see chapter 5, section 5.2.5) of this research show that suppliers may not necessarily be the victims of their buyers’ irresponsible practices. Suppliers may rather make use of the lack of legislative enforcement of the country and lack of implementation of CoC, as some of the buyers’ lack a commitment to sustainability. Thus, both the buyers and suppliers may create constraint to improving supply chain performance.

(II) Hierarchical control-based system

As *powerful* actors (Mitchell et al., 1997), corporations not only set rules (e.g. establish the codes of conduct for their suppliers), but also enforce these rules after they have established a subsidiary in the host country and subsequently, implement the codes of conduct through a *hierarchical-control based* system. Corporations admit their responsibility (Clarkson, 1995) and oblige the suppliers to improve social sustainability, based on the codes of conduct agreements which typically involves suppliers’ social compliance auditing (e.g. workers’ wages, working hours, health and safety issues, etc). However, while doing so, corporations may accommodate some compliance measures to avoid potential risks to their reputation. Corporations have identified that suppliers comply with one or few requirements of codes of conduct (see chapter 5, section 5.2.3). Sanctions on the suppliers upon lack of compliance, can create a lack of self-control and lack of autonomy. This can lead to frustration and reduces suppliers’ intrinsic motivation. Suppliers have perceived frequent audits to be unfair, as on the one hand, they take their time and effort, while on the other hand, they face pressures from the corporations for price reductions. This means that corporations are not necessarily willing to solve social compliance issues, rather just try to approach a very few social sustainability issues,

such as child labour. They do not consider the overall socio-economic effects on the workers affected, and therefore, cannot have a major impact on the overall social sustainability performance and on their reputation.

(III) Collaborative multi-stakeholder-based system

Corporations develop a *collaborative multi-stakeholder-based system* to fill-in the ‘regulatory gap’ due to the insufficient enforcement of state rules (Scherer et al., 2014). Corporations initially had lack of interest in filling-in the regulatory gap. However, they have acknowledged their responsibility after stakeholder pressure (Clarkson, 1995). Corporations have responded to stakeholder demands for immediate action by forming the multi-stakeholder initiatives as a result of the *urgency* of a disaster (or shock) at the industry level (Mitchell et al., 1997). For instance, following the Rana Plaza incident, multi-stakeholder initiatives examined the structural safety of their buildings and fire safety, even though this is normally the responsibility of the government inspectors (see chapter 5, section 5.3.4). Suppliers perceived financial investment for structural improvement to be unfair, as they would not be directly rewarded. This means that, suppliers would not get an increased price for their products by being structurally compliant. In other words, suppliers tried to be compliant with these standards for structural safety as being non-compliant created fear of losing business and being compliant would bring competitive advantage. Lack of structural compliance also resulted in significant damage to the buyer’s reputation, and hence, corporations became involved in sustainability practices to defend their damaged reputation. Nevertheless, this created a new beginning of business and non-business multi-stakeholder, such as NGOs, trade unions, consultant engineers, regulatory experts, collaboration-based industry-wide initiative.

(IV) Relational cross-sectoral-based system

The *relational cross-sectoral-based system* is useful in situations when the corporation has the *legitimacy* (Mitchell et al., 1997) to implement their CSR policies by getting help from the NGOs. In this way, corporations have provided social development, such as a wide spectrum of societal functions, such as healthcare, education, water and sanitation, and filling ‘institutional voids’ (Doh and Guay, 2004) arise from public sector incapacity on the local level. Thus, corporations have involved themselves in social sustainability practices that are not required by legislation or codes of conduct. These social development projects are for the stakeholders e.g. local residents, workers, who have valid normative claims on the corporations

(Reed, 2002). Corporations having limited knowhow to implement their CSR policies in the community and supplier domain, and can become involved in contractual relationships with non-business actors (e.g. NGOs) to make joint social development projects (see chapter 5, section 5.4.2). Hence, for a long-time, social development has been partly provided by the non-profit organisations because of public sector incapacity (Khanna and Palepu, 1997). Implementing social development projects can enhance buyers' reputation, can provide tax rebate and can increase corporations' self-benefit. Here, self-benefit is the 'fulfilment of their identity', which corporations have declared in the core values.

The framework of 'supply chain governance for social sustainability performance' illustrates that there is no single expected performance of governance, as each governance system can lead to different outcomes. These four supply chain governance systems, market-based, hierarchical-control based, collaborative multi-stakeholder-based and cross-sectoral-based, are not mutually exclusive, because a corporation can choose more than one way to address social sustainability. Additionally, it can be presumed that a sudden disaster or shock in the industry may create uncertainty for the organisations. The findings of this research show that a disaster has triggered stakeholder pressure on corporations, and the corporations had to immediately engage with stakeholders under urgent circumstances to form multi-stakeholder initiatives that led to industry-wide standard-settings and monitoring. This engagement resulted in improved structural compliance as a form of social sustainability in the entire RMG industry. However, the framework also outlines a scenario in which corporations engage in cooperative relationship with stakeholders, mainly NGOs, for community-level social changes without any stakeholder pressure. This engagement with the NGOs can create positive consequences by initiating worker empowerment and reducing adverse health effects on worker and community. Thus, supply chain sustainability performance outcomes can be as substantial as social development for the workers and community and as poor as exploitation, which is discussed in next section.

A scale of corporations' social sustainability performance outcomes

Earlier research has indicated that there is limited way of measuring social sustainability performance (Winter and Lasch, 2016; Yawar and Seuring, 2015). The common indicators are working conditions, low wages, long working hours, health and safety risks (Sancha et al., 2016a; Varsei et al, 2014; Klassen and Vereecke, 2012), and worker welfare and community specific problems are rarely considered in social sustainability performance (Walker et al.,

2015; Pagell and Wu, 2009). Earlier in this dissertation, it was mentioned (see chapter 2 section 2.1.3) that Pagell and Shevchenko (2014) argue that a corporation's sustainable performance has been limited to harm *reduction*, and that there are almost no records of harm *elimination*. The authors claim that lack of investments in sustainability practices do not allow a sustainability agenda being upheld (ibid). From the findings (chapter 5 section 5.2.3., 5.3.4., 5.4.4.) of the current research, a continuum of social sustainability performance is developed. Harm reduction and elimination stand in between exploitation and social development. Taking a constructionist perspective, this social sustainability performance indicator has been developed based on a qualitative comparison scale.

Table 8.3 Corporation's social sustainability performance outcome scale

Scale	Poor ←-----→Substantial			
Social sustainability performance outcomes	Exploitation [Examples: Child labour, low wages, long working hours, abuse of human rights, discrimination, harassment, poor working conditions]	Harm reduction [Examples: Avoiding adverse risks by eliminating child labours and improving working condition]	Harm elimination [Example: Occupational health and safety, i.e. fire, building and electrical safety]	Social development [Example: Water, sanitation, hygiene for the community, healthcare for the workers, child care development, rights and responsibility training, literacy enhancement and so on]
Implications of social sustainability performance outcomes	Heavily criticised by the stakeholders for not implementing CoC	Less significant improvement for social compliance as non-compliant with CoC for wages, working hours and unauthorized subcontracting are common	Dramatic positive changes in the workplace and structural safety as a result of structural compliance improvement	Alleviation of some adverse effect on workers' wellbeing and to some extent improvement of workers' empowerment

Exploitation: represents underperformance for social sustainability when the corporations do not do what is required to be sustainable. This means that they do not implement the codes of conduct for suppliers. In this case, the reasons for underperformance are simply not recognising the sustainability risks or purposefully ignoring the risks. As a result, suppliers' low performance to comply with the codes of conduct or non-compliance exists in the supply chain. Examples of this include corporations ignoring whether the suppliers are subcontracting in

unauthorised places, workers have excessive working hours to meet production targets and receive low wages (see chapter 5, section 5.2). However, corporations have been heavily criticised by the stakeholders for not implementing CoC and showing poor performance in social sustainability.

Harm reduction: When corporations have recognised the potential risks of facing a crisis, such as a negative reputation as a result of a stakeholder campaign, they perform in a way that helps the suppliers to achieve minimum requirements of social sustainability by following codes of conduct. In this case, corporations do not reflect upon the unintended socio-economic outcomes of their actions. For instance, removing child labour tends to lead to shifting child labour to more dangerous and less regulated industries, such as construction (chapter 5 section 5.2.5), a phenomenon which is also identified by Huq et al. (2014a). In addition, minimum monthly wages have increased (from 4,180 to 10,000 BDT in recent year⁵⁰), but the expenditure of the workers has also become more than their earnings, because of the high inflation rate. Therefore, wages remain low compared to the minimum livelihood requirements of the workers. From a worker's point of view, increase wages cannot solve the problem. The solution requires an economic system, such as providing food in an affordable price and remuneration for accommodation, by the suppliers to support workers sufficiently (appendix 4.13 picture 7). In practice, this non-compliance of the suppliers has a negligible effect on the corporations' reputation as information about this non-compliance is rarely disclosed to the public. Here, social sustainability performance remains at a minimum because of a lack of transparency in the codes of conduct implementation procedure, multiplicity of standards, ambiguity in performance measurement and non-disclosure of the suppliers' audit reports to the public.

Harm elimination: Corporations do what is required to eliminate harm from the industry regarding specific sustainability issue. They not only compensate the affected party, but also make short-term investments to form or fund multi-stakeholder initiatives to defend their damaged reputation. They set an industry-wide standard for compliance and enforce monitoring of the suppliers through MSIs. A single corporation cannot influence the suppliers to remedy expensive investments in structural and occupational safety, but multi-stakeholder initiatives can influence the suppliers to move from shared premises to industrial buildings, to invest in

⁵⁰ Brand' support for a living wage for garments workers in Bangladesh, Clean Clothes Campaign, publish (online) 28 August 2018, Available at: <https://cleanclothes.org/news/2018/08/28/brands-support-for-a-living-wage-for-garment-workers-in-bangladesh>

structural improvements, install firefighting equipment, carry out fire safety training and so on (chapter 5 section 5.3.4). In addition, multi-stakeholder initiatives can create possibilities for evaluating supplier compliance performance outcomes with clear measurements and disclosure of report in the public domain. Disseminating information about supplier compliance to public domain is a means to communicate sustainability to various stakeholders, and consequently find way to make a supplier more attractive to its buyers. As a result, multi-stakeholder initiatives can help raise the social sustainability performance of the industry.

Social development: The social development of corporations can be considered as the right thing to do in the eyes of external stakeholder, such as customers, international NGOs, media, trade unions, competitors, because of their implicit value regardless of associated expenses. Social development is neither philanthropy⁵¹, nor provided as a good for market exchange with equivalent values. Instead, it is provided free of charge to the workers down the supply chain and to the communities in which the suppliers operate. Corporations that have a high level of interest in performing above the minimum levels of legislation and standards, build childcare centres, provide training for the workers for literacy enhancement, teach rights and responsibility, run health and hygiene awareness programmes, provide medicine for Tuberculosis (TB) and Hepatitis B vaccination, provide water, sanitation, and hygiene (WASH) facilities for the workers and the community (chapter 5 section 5.4.4). This implies that workers wellbeing, empowerment, and community development can be achieved when the corporations are committed to investing in social development to create positive effects on humans. In addition, these improvements can lead to an instrumental gain for the corporations by increasing their brand value and reputation, when they publish the stories of their accomplishment in their global sustainability reports.

The four social sustainability performance outcomes discussed above, exploitation, harm reduction, harm elimination and social development are not mutually exclusive. Exploitation is the lack of social sustainability performance, whereas social development is the substantial form of social sustainability performance based on a subjective measurement. More interestingly, a corporation can be exploitative in some areas, but practice social development in some other areas. For example, one brand (e.g. MNC4) found that their suppliers have

⁵¹ Philanthropy involves donations or gifts of valuable resources such as money, information, technology and personnel time by the corporations to other non-corporate agents who are public decision makers (e.g. politicians, regulators and local leaders) which does not depend on legally ordained reciprocation (Boddeyn, 2017, p.12). Philanthropy also includes a corporation's charitable activities within their local communities to enhance a community's 'quality of life' (Carroll, 1991).

continuous working hours, wages, health and safety related non-compliance issues (chapter 5 section 5.2.4). However, the same brand's (MNC4) CSR policy highlights health and hygiene improvement as key component of their ethical trading strategy. The findings (chapter 5 section 5.4.3 table 5.8) show that this brand has several projects with different NGOs for social development which include health and nutrition programmes, providing sanitary products, medicine and vaccination distribution and health awareness programmes. Similarly, one retailer (e.g. MNC7) found that almost half of their suppliers exploited their workers with overtime and under payment of wages (chapter 5 section 5.2.4), while at the same time the retailer participated with a local NGO to develop a childcare centre inside their suppliers' premises (chapter 5 section 5.4.3 table 5.8).

The social sustainability performance outcomes, exploitation, harm reduction, harm elimination and social development, indicate to what extent a corporation has achieved social sustainability performance. The scale of corporations' social sustainability performance outcomes and the framework of supply chain governance for social sustainability performance can be helpful for the corporations to decide what their social sustainability goals are, with whom to engage, to the extent to which the goals have been achieved, as a journey from social sustainability goals towards social sustainability performance.

Finally, the scale of corporations' social sustainability performance outcomes and the framework of supply chain governance for social sustainability performance are the starting points that provide an enhanced understanding but require further investigation. This framework and scale constitute a simplified presentation of a complex phenomenon. As the demands for supply chain governance for social sustainability are growing, this framework and scale can help corporate sourcing managers and other interested entities, who want to respond to these demands in a meaningful way. They can critically reflect about their current governance systems in order to take the necessary steps for development and future improvement of social sustainability.

Chapter 9. Conclusion and Contribution

The concluding chapter reiterates the purpose of the study and outlines the contributions of this research. The purpose of this dissertation is to contribute to an understanding *of how supply chain governance mechanisms and governance structures improve social sustainability performance when stakeholders are engaged*. This chapter outlines how this purpose has been accomplished. Finally, it makes some suggestions for future research.

9.1. Research Contributions

The beginning of this research (chapter 1), referred to the need to study and enhance understanding of social sustainability governance and complement what we know from the literature. It was argued that more attention should be paid to studying not only the practices of a single actor, such as buyers in the supply chain, but that suppliers should also be incorporated into the study. Control-based and collaboration-based governance mechanisms for sustainable supply chain governance are acknowledged in the literature, but, at the same time, multi-stakeholder-based governance mechanisms have not been fully investigated beyond the level of buyer-supplier vertical collaboration. However, in practice, corporations can horizontally collaborate with multiple stakeholders to govern the supply chain. Corporate social responsibility (CSR) scholars have conceptualised multi-stakeholder initiatives (MSI) as a form of horizontal collaboration. However, they have mainly concentrated on the development or legitimacy of the MSI, instead of identifying the process of implementation and effects of these kinds of mechanisms on the suppliers in the supply chain. In order to further the understanding of social sustainability governance from these perspectives, an explorative study was carried out and has been presented in this dissertation. This is a type of study that other researchers (Yawar and Seuring, 2015; Seuring and Müller, 2008) have called for.

This research identifies different types of social sustainability challenges: social compliance issues; structural safety issues; workers' vulnerability with regards to health condition, lack of empowerment and community-specific problems. These are explained in chapter 5. To tackle these challenges, multinational corporations have developed sustainable supply chain governance structures and applied a set of governance mechanisms associated with that structures.

Previous research shows mainly two types of governance mechanisms – the buyer-driven control based and buyer-supplier relational-based or vertical collaboration-based governance mechanisms (Sancha et al., 2016a; Formentini and Taticchi, 2016; Gimenez and Sierra, 2013). This dissertation, however, identifies three types of governance mechanisms: control-based, multi-stakeholder-based and cross-sectoral-based governance mechanisms (these are explained in chapter 6). The buyer-driven *control-based governance mechanisms* include enforcement through assessment, auditing, monitoring, and relational-based idiosyncratic activities, such as education, training or workshops for supplier development within the process of handling *social compliance* issues. The *multi-stakeholder-based governance mechanisms* include enforcement through inspections, negotiations, monitoring, supplier involvement, certification within the process of controlling structural and occupational safety issues. The *cross-sectoral-based governance mechanisms* involve governing the supply chain without imposing sanctions on the suppliers. This develops suppliers' capabilities and involves them in the effort of facilitating workers' wellbeing and empowerment through the MNCs-NGOs joint projects.

Additionally, this research contributes to sustainable supply chain governance by identifying both intended and unintended consequences of governance mechanisms on the suppliers for social sustainability practices (These are also explained in chapter 6). For example, when small suppliers fail to invest in structural improvements and also fail to take actions necessary for social compliance, their business contracts as suppliers are terminated. This may have a negative effect on the workers affiliated to the suppliers as they might lose their jobs. However, the termination of non-compliant suppliers' contracts also has intended consequences, as it sets examples and obliges the suppliers to ensure workplace safety and eliminate risks. In addition, publicly available information and the transparency of audit procedures and reports through multi-stakeholder initiatives influence prospective buyers to choose compliant suppliers and this creates increase pressures on suppliers.

Another key contribution of this research is the identification of four main governance structures market, hierarchical, collaborative and relational in ex-ante and ex-post scenarios from a transaction cost economics perspective (see chapter 7). In an ex-ante *market governance structure*, the buyers find the transaction partners who can produce at lowest cost. However, this increases the risk of suppliers' opportunistic behaviour. Buyers move to hierarchical governance structures in the ex-post scenarios where there are multiple standards (codes of conduct and evaluation measures) that make the performance of suppliers ambiguous and

uncertain for an extension of the business contract. Buyers' price-pressure influences suppliers to minimise investment in improvement. This leads to persisting opportunism. In the condition of uncertainty caused by harmful effects on human life, *collaborative governance structure* through multi-stakeholder initiatives has become the most cost-effective alternative unlike buyer-driven monitoring, as the buyers do not have to internalise an activity that they do not excel at. Despite the fact that the costs of negotiations and bargaining increase for the buyers, negotiations encourage suppliers to make capital investment to improve workplace conditions. Compliant suppliers who are preferred by many buyers have a competitive advantage. This inspires suppliers to keep their reputation for being honest and reliable and helps to reduce opportunism. However, when buyers do not want to continue investing in multi-stakeholder initiatives, this leads to a shift from the collaborative governance structure. Moreover, *relational governance structures* create the possibility for corporations and NGOs to jointly undertake social development projects. These projects can lead to the elimination of supplier-opportunism at its root, as these projects motivate the suppliers to involve them in social dialogue with the workers. These social development projects can also help to develop supplier's capabilities so that they can facilitate worker wellbeing and empowerment.

Furthermore, this research suggests how to improve social sustainability performance using a 'stakeholder theoretical' perspective (Freeman, 1984). Stakeholder (corporations, competitors, multi-stakeholder initiatives, local NGOs, suppliers) engagement as inspectors, collaborators and facilitators can help eliminate harms and advance social development in the supply chain (see chapter 8). Stakeholder pressure works as a driver for improving social sustainability. Different propositions have been made to guide future research on stakeholder pressure and stakeholder engagement in the developing country context.

Moreover, this research shows that the engagement of stakeholder is essential to solve technically complex sustainability issues, such as preventing suppliers' building collapse, structural safety. A single corporation cannot influence its suppliers to undertake expensive social sustainability improvements, such as capital investment for structural and occupational safety, but multi-stakeholder initiatives can influence the suppliers to do so. The multi-stakeholder initiative is an example of how in urgent situations collaboration with competitors and other non-business actors (such as compliance advisors, consultants, international NGOs, local NGOs and in some cases trade unions) can lead an industry-wide improvement of social sustainability (structural compliance) in the RMG industry. The positive outcome out of the

Rana Plaza disaster was that it triggered stakeholder pressure on the corporations to the extent that they immediately engaged with stakeholders to ‘eliminate the harm’ from the industry.

Irrespective of any stakeholder pressure or disaster, corporations can also engage in cooperative relationships with stakeholders (e.g. NGOs) for community-level social development. This can lead to positive consequences by increasing workers’ empowerment and alleviating some of the adverse effects on workers’ wellbeing and community development. Thus, supply chain sustainability performance outcomes can either be as substantial as social development for the workers and community or as poor as exploitation.

Aysha the garments worker who was introduced in the beginning of this dissertation, still gets up at five in the morning, and does exhausting overtime work the whole day to earn a little extra. Her wages are still below her needs. She and some of her fellow Bangladeshi garment workers have now started to receive some training that has made them aware of health-hygiene, nutrition programmes and so on. Some workers are also starting to get sanitary products, TB medicines, Hepatitis B vaccinations at a discounted rate. Ayesha now knows a little more about her rights, such as what her basic salary is, how many hours she is legally allowed to work overtime, what the pay rates are, how many days she can have sick leave. Awareness of these facts can now save her from being exploited. However, Ayesha’s improved condition still does not represent the condition of every worker in the garment industry in Bangladesh. In fact, it constitutes just a drop in the ocean. The initiatives to improve the lives of garment works need to be far more widespread so that every worker can have the life that they deserve. This research is a stepping stone to contribute to that journey.

9.2. Future Research

Future investigations should not only focus on exploring the governance mechanisms between the buyers and their immediate suppliers but also include multiple tiers of suppliers across supply chains. Supply chain governance is contextually bound with its appeal and applicability. Therefore, studies conducted in different industries may result in a completely different understanding of stakeholder pressure and stakeholder engagement. Such investigations can help further theory consolidation.

In this research, multi-stakeholder initiatives have been argued to be credible and legitimate governance mechanisms compared to buyer-driven control, especially when governmental enforcement mechanisms are weak. However, in a different context, multi-stakeholder initiatives may create a conflict of interests between the participatory stakeholders, which needs to be researched further. This research shows that NGOs are involved in 'doing good'. Future research can investigate what the consequence would be if the NGOs were involved in unethical practices and if the corporations lost their administrative control over relational cross-sectoral-based governance. This research represents the complexity of the phenomenon of governance in the supply chain of multiple buyer-supplier in a particular industry. When a multinational corporation sources from suppliers that belong to multiple industries, such as cotton, chemical, metal, wood and food, and what that means for sustainability governance mechanisms is another potentially interesting avenue for research.

In this thesis, supply chain governance for social sustainability is analysed from transaction cost economics and stakeholder theory perspectives, but new theoretical lenses can bring new insights to the phenomenon studied. For example, power-dependency theory (Cox et al., 2007; 2002) which evolved from the political economy paradigm (Pfeffer and Salancik, 1978) can assist us to critically question the effect of the power-influence approach to control on sustainability governance in modern supply chains from the socio-economic and socio-political aspects. Resource-dependency theory can foster our understanding of the capabilities needed by the MNCs for effective governance mechanisms. In addition, discourse analysis of the empirical materials can provide in-depth understanding of the differences between actors in the supply chain and can even challenge the dominant discourse of sustainability conceptualisation.

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Appendix

Appendix Table 4.1 Description of the Interviewees from MNCs

Int. no	MNCs code	Position of MNCs representatives interviewed	Date and Time of the MNCs representatives interviewed	Suppliers	Member of Accord/ Alliance	Relation with NGOs
1	MNC1	Specialist Supplier Development, Bangladesh	Date: 10/08/2016 Time: 08:00pm – 09:00pm Place: Restaurant	RMG1, RMG2, RMG3, RMG15, RMG16	Alliance	NGO1, NGO2, NGO4
2		Senior Responsible Sourcing Coordinator, Bangladesh	Date: 09/08/2016 Time: 07:00pm – 09:00pm Place: Restaurant			
3	MNC2	Country Project Manager, Bangladesh	Date: 08/09/2016 Time: 04:30pm-05:30pm Place: Subsidiary Office	RMG1, RMG3, RMG4, RMG5, RMG11, RMG13, RMG15	Accord	NGO1 (proposal stage), NGO3, NGO4, NGO5
4	MNC3	Project Manager, Capacity Building and Building & Fire Safety, Bangladesh, Pakistan & Myanmar	Date: 03/09/2016 Time: 03:30pm – 05:00pm Place: Coffee Shop	RMG5, RMG6, RMG8, RMG9, RMG15, RMG16.	Accord	NGO4, NGO5
5	MNC4	Senior Social Compliance Manager, Bangladesh	Date: 07/09/2016 Time: 10:00am-12:00pm Place: Subsidiary Office	RMG6, RMG8, RMG14, RMG15	Accord	NGO1, NGO2, NGO3
6	MNC5	Senior Manager, Supplier Sustainability and Fire & Building Safety, Bangladesh	Date: 07/09/2016 Time: 12:30pm-02:30pm Place: Subsidiary Office	RMG2, RMG14, RMG15.	Alliance	NGO1, NGO2, NGO4
7	MNC6	Learning & Development Responsible, Bangladesh	Date: 19/09/2016 Time: 01:30pm-02:00pm Place: Subsidiary Office	RMG1, RMG2, RMG3, RMG7, RMG9, RMG12, RMG13, RMG15, RMG16	Accord	NGO6
8		Social Sustainability Developer, Bangladesh	Date: 08/09/2016 Time: 03:30pm-04:45pm Place: Subsidiary Office			
9	MNC7	Responsible Sourcing Manager, Bangladesh	Date: 02/09/2016 Time: 01:00pm–03:30pm Place: Restaurant	RMG10, RMG11, RMG14, RMG15.	Accord	NGO2, NGO4
10	MNC8	Senior Merchandiser, Bangladesh	Date: 25/09/2016 Time: 06:30pm-08:30pm Place: Restaurant	RMG4, RMG6, RMG7, RMG15.	Alliance	NGO2

Appendix Table 4.2 Description of the RMG factories and Interviewees from the RMGs

Int. no	Ready-Made Garments suppliers			Position of RMGs representatives interviewed	Date and Time of the RMGs representatives interviewed and factory visited	Relation with MNCs	Relation with NGOs	The Accord and/or Alliance listed
	Factory	Types	Workers					
11	RMG1	Knit and Woven	8800	Manager factory Compliance	Date: 20/08/2016 Time: 02:15pm – 02:45pm Place: Factory	MNC1, MNC2, MNC6	NGO 2, NGO 3, NGO 4, NGO 5	Accord
12	RMG2	Knit	2300-2400	General Manager, Admin HR & Compliance Manager (Admin & Compliance)	Date: 23/08/2016 Time: 11:30am – 01:00pm Place: Factory	MNC1, MNC5, MNC6	NGO 2, NGO 3, NGO 6	Accord
13	RMG3	Knit	2100-2200	Director Admin & Surveillance Deputy General Manager (Admin, HR & Compliance)	Date: 23/08/2016 Time: 01:30pm – 03:00pm Place: Factory	MNC1, MNC2, MNC6	NGO 2, NGO 3, NGO 6	Alliance
14	RMG4	Woven	620	Factory General Manager	Date: 23/08/2016 Time: 04:00pm – 04:30pm Place: Factory	MNC2, MNC8	No involvement of NGO	Accord
15	RMG5	Knit and Woven	1800	Senior Manager-Compliance HR & Admin	Date: 25/08/2016 Time: 01:00pm – 01:30pm Place: Factory (restricted visit)	MNC2, MNC3	No involvement of NGO	Alliance
16	RMG6	Woven	3500	Senior Manager and Plant Head-HRM	Date: 25/08/2016 Time: 02:00pm – 03:30pm Place: Factory	MNC3, MNC4, MNC8	No involvement of NGO	Accord
17	RMG7	Knit	4000	Manager Administration and Compliance	Date: 25/08/2016 Time: 04:00pm – 05:30pm Place: Factory	MNC6, MNC8	NGO 6	Alliance
18	RMG8	Knit	4100	Manager Compliance	Date: 26/08/2016 Time: 11:30am – 12:30pm Place: Factory (restricted visit)	MNC3, MNC4	NGO 3, NGO 4, NGO 5	Accord
19	RMG9	Knit	8300	Manager Compliance	Date: 29/08/2016 Time: 10:30am – 01:30pm Place: Factory	MNC3, MNC6	NGO 2, NGO 5, NGO 6	Accord
20	RMG10	Knit	3000	Manager HR & Compliance	Date: 29/08/2016 Time: 01:30pm – 03:00pm Place: Factory (restricted visit)	MNC7	NGO 4	Accord
21	RMG11	Sweater	2100	Manager (Admin & Compliance)	Date: 30/08/2016 Time: 11:00am-12:30pm Place: Factory	MNC2, MNC7	NGO 2	Accord

Appendix Table 4.2 continue

Int. no	Ready-Made Garments suppliers			Position of RMGs representatives interviewed	Date and Time of the RMGs representatives interviewed and factory visited	Relation with MNCs	Relation with NGOs	The Accord and/or Alliance listed
	Factory	Types	Workers					
22	RMG12	Knit	4000	Manager Compliance	Date: 04/09/2016 Time: 01:00pm – 02:00pm Place: Factory	MNC6	No involvement of NGO	Accord
23	RMG13	Knit and Woven	1200+	Manager Merchandising & Marketing	Date: 30/08/2016 Time: 01:00pm-03:30pm	MNC2, MNC6	No involvement of NGO	Accord
				Assistant Manager HRD & Compliance	Place: Factory			
24	RMG14	Knit	6700	Senior. Assistant General Manager (HR & Compliance)	Date: 31/08/2016 Time: 01:00pm-03:00pm Place: Factory	MNC4, MNC5, MNC7	NGO 1, NGO 2, NGO 4	Accord
25	RMG15	Knit and Woven	3000	Owner	Date: 05/09/2016 Time: 12:00pm – 02:30pm Place: Factory	MNC1, MNC2, MNC3, MNC4, MNC5, MNC6, MNC7, MNC8	NGO 2, NGO 3, NGO 4	Accord
				General Manager Compliance				
26	RMG16	Knit and Woven	6000	Assistant Manager Compliance	Date: 06/09/2016 Time: 12:00pm – 01:30pm Place: Factory	MNC1, MNC3, MNC6.	NGO 1, NGO 2, NGO 4, NGO 6	Accord

Appendix Table 4.3 Description of the Interviewees from the RMG factories corporate offices

Int. No	Suppliers head office	Position of the suppliers interviewed	Date and Time of the RMG representatives interviewed in their head offices	Relation with other actors
27	Supplier1	Senior Merchandiser	Date: 21/08/2016 Time: 07:00pm – 09:00pm Place: Restaurant	Not declared
28	Supplier2	Senior Merchandiser	Date: 24/09/2016 Time: 02:00pm-04:30pm Place: Office	MNC2, MNC6
29	Supplier3	Senior General Manager Administration and Compliance	Date: 22/08/2016 Time: 03:00pm – 04:00pm Place: Office	RMG2, RMG3, MNC1, MNC2, MNC5, MNC6.

Appendix Table 4.4 Description of the Interviewees from the Accord and the Alliance

Int. no	The Accord and the Alliance	Position of the Accord and Alliance representatives interviewed	Date and Time of the Accord and Alliance representatives interviewed	The member MNCs	The RMG Factories under inspection	Relationship with NGOs
30	Alliance for Bangladesh Worker Safety	General Manager Worker Empowerment	Date: 19/09/2016 Time: 03:00pm-04:00pm Place: Office	MNC1, MNC5, MNC8	RMG3, RMG7, RMG15	NGO2
31	Accord on Fire and Building Safety in Bangladesh	Lead Engineer Electrical Safety Stitching Bangladesh Accord Foundation	Date: 20/09/2016 Time: 11:30pm-12:00pm Place: Office	MNC2, MNC3, MNC4, MNC6, MNC7	RMG1, RMG2, RMG4, RMG5, RMG6, RMG8, RMG9, RMG10, RMG11, RMG12, RMG13, RMG14, RMG16	NGO4, NGO5
32	Accord on Fire and Building Safety in Bangladesh	Head of Training, Stitching Bangladesh	Date: 20/09/2016 Time: 12:00pm-01:30pm Place: Office			

Appendix Table 4.5 Description of the Interviewees from the NGOs

Int. no	NGOs code	Position of NGOs and donor representative interviewed	Date and Time of the NGOs representatives interviewed	Relationship with MNCs and other actors	Relationship with RMG Factories
33	NGO1	Project Manager for Women in Factories Initiative	Date: 22/09/2016 Time: 11:00am-12:00pm Place: Office	MNC1, MNC2 (proposal stage), MNC4, MNC5	RMG14, RMG16,
34	NGO2	Country Director	Date: 19/09/2016 Time: 04:00pm-05:00pm Place: Office	MNC1, MNC4, MNC5, MNC7	RMG2, RMG3, RMG11, RMG14, RMG15, RMG16
35	NGO3	Founder and Director	Date: 24/09/2016 Time: 12:00pm-01:30pm Place: Office	MNC1, MNC2, MNC4	RMG1, RMG3, RMG8, RMG15
36	NGO4	Executive Director	Date: 25/09/2016 Time: 02:30pm-03:15pm Place: Office	MNC1, MNC2, MNC3, MNC5, MNC7	RMG1, RMG8, RMG14, RMG15, RMG16
37	NGO5	Founder and General Secretary	Date: 22/09/2016 Time: 03:30pm-04:30pm Place: Office	MNC2, MNC3	RMG1, RMG8, RMG9,
38	NGO6	Executive Director	Date: 17/09/2016 Time: 12:30pm-02:30pm Place: Office	MNC6	RMG2, RMG3, RMG7, RMG9, RMG16
39	NGO7	Executive Director, Safety & Rights Society (SRS)	Date: 26/09/2016 Time: 12:00pm-01:30pm Place: Office	Received funding from Donor1, ILO, etc.	No direct involvement with RMGs but RMG workers
40	NGO8	Communication Officer, BRAC	Date: 18/09/2016 Time: 11:00am-12:00pm Place: Coffee shop	Received funding from MNC1, international donors.	No direct involvement with RMGs but Rana Plaza victims
41	Donor1	Senior Advisor for Promotion of Social and Environmental Standards in the industry (PSES)	Date: 21/09/2016 Time: 03:00pm-05:00pm Place: Office	Received funding from MNC2, MNC4, German government, UKaid, etc. Provide funding to NGO3, NGO4.	
42	Donor 2	Senior Program Manager	Date: 22/09/2016 Time: 12:30pm-01:00pm Place: Office	Received funding from MNC6 Provide funding to NGO2 and NGO5	

Appendix Table 4.6 Description of the interviewees from the intermediaries

Int. No	Intermediaries code	Interview's Position	Date and Time of the Intermediaries representatives interviewed	Description
43	Intermediary 1	National Head Business Assurance Bangladesh	Date: 25/09/2016 Time: 05:00pm-05:30pm Place: Dhaka branch Office	Third party auditors
44	Intermediary 2	Market Manager Bangladesh & Communication	Date 29/06/2016 Time: 11:00pm-12:00pm Place: Head office Stockholm	Third party training provider to workers

Appendix Table 4.7 Description of the interviewee workers

Int. No	Interview's Position	Years of working	Date and Time of the welfare officer and workers interviewed	Description
45	Welfare officer	7 years	Date: 23/08/2016 Time: 10:00am-11:00am Place: Factory	is a staff level position/designation of a person, who works in the factory and deal with the workers' issues (e.g. leave of absent, illness, maternity leave) in a daily basis.
46	Helper	10 years, unskilled	Date: 15/09/2016 Time: 11:30am-12:00pm Place: Residence	is the beginner level low skilled job, responsible to help the experienced workers in simple duties, such as trimming thread; threading, loading, inserting loaded bobbin; attaching buttons or hooks in the produce clothing, etc.
47	Swing Machine Operator	3 years, semi-skilled	Date: 23/09/2016 Time: 10:00am-11:00am Place: Residence	assemble or joint different parts of a garment using swing machine.
48	Operator	5+ years semi to full skilled	Date: 23/09/2016 Time: 11:30am-12:00pm Place: Residence	is the job for operating garments production related machines (e.g. swing/cutting/ironing)
49	Mid-level operator	9 years, skilled workers	Date: 23/09/2016 Time: 12:00pm-12:30pm Place: Residence	same job as operator, but is considered as skilled worker because of longevity of experience.
50	Senior Cutting operator	7 years, skilled worker with training	Date: 23/09/2016 Time: 01:30pm-02:00pm Place: Residence	work in the cutting section as a skilled worker

Appendix Table 4.8 Description of the interviewees from International Trade Union

Int. No.	International trade union code	Interview's Position	Date and Time of the international trade unionist interview	Description
51	International trade union 1	Director General for Development and Cooperation Bangladesh	Date: 06/11/2014 Time: 11:00am-11:30am Place: Bangladesh Forum Germany Conference in Berlin	Watchdog signatory of the Accord
52	International trade union 2	Assistant General Secretary Textile industry	Date: 07/11/2014 Time: 03:00pm-03:30pm Place: Bangladesh Forum Germany Conference in Berlin	Watchdog signatory of the Accord

Appendix Table 4.9 The interview hours and notes

Int. no	Interviewee code	Hours	Interviews and observation notes in pages
1	MNC1	1:00	15
2		2:00	8
3	MNC2	1:00	3
4	MNC3	1:30	6
5	MNC4	2:00	11.5
6	MNC5	2:00	2.5
7	MNC6	0:30	1
8		1:45	3.5
9	MNC7	2:30	4
10	MNC8	2:00	3
11	RMG1	0:30	4
12	RMG2	1:30	5
13	RMG3	1:30	6
14	RMG4	0:30	2
15	RMG5	0:30	3
16	RMG6	1:30	4
17	RMG7	1:30	6
18	RMG8	1:00	6
19	RMG9	3:00	4
20	RMG10	1:30	3
21	RMG11	1:30	3
22	RMG12	1:00	2
23	RMG13	1:30	3
24	RMG14	2:00	4
25	RMG15	2:30	4
26	RMG16	1:30	4
27	Supplier1	2:00	3
28	Supplier2	2:30	2
29	Supplier3	1:00	5
30	Alliance	1:00	2.5
31	Accord	0:30	2
32	Accord	1:30	3
33	NGO1	1:00	5
34	NGO2	1:00	3
35	NGO3	1:30	9
36	NGO4	0:45	8
37	NGO5	1:00	3
38	NGO6	2:00	8.5
39	NGO7	1:30	3
40	NGO8	1:00	2
41	Donor1	2:00	5
42	Donor 2	0:30	4
43	Intermediary 1	0:30	2
44	Intermediary 2	1:00	3
45	Welfare officer	1:00	3
46	Helper	0:30	9
47	Swing Machine Operator	1:00	2.5
48	Operator	0:30	2
49	Mid-level operator	0:30	2
50	Senior Cutting operator	0:30	1
51	International trade union1	0:30	0.5
52	International trade union2	0:30	1

Appendix Table 4.10 Description of the documents of the MNCs

MNCs code	Documents	Pages
MNC1	Official home pages	5
	Standards for suppliers	1
	Global responsibility report	139
MNC2	Official home pages	10
	Code of conduct	5
MNC3	Official home pages	12
	Global sustainability report	17
	Code of conduct for the supplier	35
MNC4	Official home pages	10
	Global sourcing principles	11
	Human rights report	37
	Code of ethics and behaviours	12
MNC5	Official home pages	3
	Shared sustainability goals	1
	Sustainable practices	2
	Code of vendor conduct	38
MNC6	Official home pages	5
	Sustainability report	130
	Sustainability Commitment (Code of conduct)	9
MNC7	Official home pages	3
	Ethical trading approach	13
	Ethical trading policy	1
	Code of Business Conduct	35
MNC8	Official home pages	1
	Global compliance program requirement guidebook	66
	Code of vendor conduct	2
	Corporate responsibility and sustainability report	58

Appendix Table 4.11 Description of the documents of the RMGs, the Accord, the Alliance and the intermediaries

Int. code	Documents	No.
RMG1	Information from official website	1
	Business code of conduct	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG2	Fire, Building and Electrical Safety (Accord reports)	4
RMG3	CSR activities	1
	Training and development plans for garment workers	1
	Fire, Building and Electrical Safety (Alliance reports)	4
RMG4	Fire, Building and Electrical Safety (Accord reports)	4
RMG5	Information from official website	1
	Fire, Building and Electrical Safety (Alliance reports)	4
RMG6	Business code of conduct	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG7	Recruitment, safety, employee welfare policies	1
	Fire, Building and Electrical Safety (Alliance reports)	4
RMG8	CSR activities	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG9	Information from official website about	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG10	Workers welfare, safety and integrity policies	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG11	Compliance policies	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG12	Fire, Building and Electrical Safety (Accord reports)	4
RMG13	Fire, Building and Electrical Safety (Accord reports)	4
RMG14	CSR activities	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG15	CSR activities	1
	Fire, Building and Electrical Safety (Accord reports)	4
RMG16	Information from official website	1
	Fire, Building and Electrical Safety (Accord reports)	4
Alliance	Alliance's official web pages	5
Accord	Accord's official web pages	7
Intermediary 1	List of training topics	1
Intermediary 2	Building knowledge involvement and business	1

Appendix Table 4.12 Description of presenting papers in academic conferences

Year	Conference
2019	IPSERA Milan: Art and Science for Procurement conference, Politecnico di Milano, Italy
2019	Euroma Gothenburg: The 6th International EurOMA Sustainable Operations and Supply Chains Forum conference, Chalmers University, Gothenburg, Sweden.
2017	British Academy of Management (BAM): annual conference, University of Warwick, UK.
2017	Sustainable Development Goals (SDG) and Sustainable Supply Chains in the post-global economy: Royal Holloway, University of London, UK.
2017	Euroma Milan: The 4th International EurOMA Sustainable Operations and Supply Chains Forum conference, Politecnico di Milano, Italy.
2016	ECSAS: 24 th European Conference on South Asian Studies, University of Warsaw, Poland.

Appendix 4.13 Pictures

Picture 1. Corridor of Aysha's living place, she shared her home with five other families.

Picture 2. Typical roads in the factory area

Picture 3. A factory building where workers were loading garments to transport

Picture 4. Workers transporting jeans from first floor to fifth floor

Picture 5. A factory sewing unit where a tired worker was sleeping during lunch break. Based on the Bangladesh labour law (Act 102) weekly working hour should not be more than 48 hours and there should be at least one day off per week (Act 103).

Picture 6. A dining room during lunch-break left empty, as many workers prefer to have lunch at home. In a factory for 100+ workers, a dining facility is required by the Bangladesh labour law (Act 92) and the MNCs also demand the factories to provide dining facilities for food preparation and storage.

Picture 7.

i) Lunch provided to the workers in a factory

ii) Workers enjoying lunch in the factory dining room

Picture 8.

i) Electrical cable laid on water drain in a factory (picture taken from the Accord electrical safety audit report)

ii) Cracks on the wall and ceiling in a factory storage room (picture taken from the Accord building safety audit report)

Picture 9.

i) Unplanned storage located in the exit stairs of a factory

ii) Unplanned storage beside fire extinguisher

Picture 10.

- i) Antiquated firefighting equipment
- ii) Certified firefighting equipment

Picture 11.

- i) Non-certified fire door held together by a brick
- ii) UL Certified fire doors recommended by the Accord and Alliance
- iii) Recommended fire door by the Accord and Alliance

Picture 12.

i) Locks in the first aid box

ii) Locks in the first aid box

iii) No locks in the first aid box

Picture 13. A hanging flyer and posters in the factory showing the toll-free telephone numbers for the Alliance to inform about fire hazards

Picture 14. In-house medical centre in a factory. Bangladesh labour law (Act 89:5) requires the factories with 300+ workers to have health facility, dispensary, nurses and doctors.

Picture 15. A poster made by an NGO to create awareness on maternity leaves and benefits. According to the Bangladesh labour law minimum maternity leave is 60 days (Act 45) and any worker with more than six months of employment are eligible to get maternity allowance equal to three months of salary (Act 48).

Picture 16. A child care centre inside a factory developed by the management to pass one of the audit requirements by the MNCs. At the time of the visit no children were seen in the facility. According to the Bangladesh labour law (Act 94) for 40+ workers in a factory there is a requirement to establish a child care centre for the workers' children under the age of six.

Picture 17. Child care center inside a factory developed by the help of an NGO

FACULTY OF SCIENCE AND ENGINEERING

Linköping Studies in Science and Technology, Dissertation No. 2004, 2019
Department of Industrial Management (INDEK)

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