Stakeholder Perceptions of the Legitimacy of Corporate Advocacy

A case study of H&M Hennes & Mauritz Group’s corporate advocacy for improved wage levels and industrial relations in the Bangladeshi ready-made garments industry

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EXECUTIVE SUMMARY

Bangladesh’s ready-made garments industry, manufacturing garments for export to predominantly Western buyers, has been heralded as the country’s most remarkable economic development of in the past two decades. Today, the sector constitutes 75% of total exports and contributes with 13% of GDP. Nonetheless, the sector is characterized by low wages, poor health and safety regulation, and confrontational – and even violent – relations between workers, labor unions, factory owners, trade associations and government institutions. Regular unrest among workers has threatened the industry by leading to temporary closure of several factories, and local and international organizations report severe abuse at the workplace, where many workers are victims of harassment, verbal threats, labor exploitation, and physical abuse. The research presented here takes a point of departure in the argument that conflicts in the industry have underlying structural causes. Safety hazards and worker exploitation occur because workers are unaware of their rights and fail to negotiate fair standards and practices in the workplace, and low minimum wage levels and poor public safety regulation and enforcement are sustained because elite interests disrupt the inclusive participation of industry stakeholders in the political process. Consequently, public debate in both Bangladesh and the global West increasingly focuses on the extent to which responsibility for these issues can – and should – be assigned to Western brands. In response, Western brands increasingly engage with corporate advocacy activities with a view to influencing economic, social and political development in the industry beyond their conventional supply chain relationships. The Swedish highstreet fashion retailer H&M Hennes & Mauritz Group is chosen as the case company for this research project, which examines how different stakeholders in the industry – at both the global and the local level – perceive the legitimacy of such corporate advocacy activities with particular emphasis on wage levels and industrial relations. In order to do so, an eclectic theoretical framework for analysis is developed. This framework is informed by multiple academic fields and thus constitutes a holistic and inclusive tool for understanding what frames stakeholder perceptions of legitimate corporate advocacy. Based on semi-structured qualitative interviews with a number of identified key stakeholders, the research uncovers stakeholder perceptions and discusses them with reference to the institutional context in which they occur. The key finding of
this analysis is that stakeholders perceive corporate advocacy to be more legitimate when explicitly tied to core business operations and leveraged through relationships between multinationals and their individual suppliers than when designed as non-core activities targeted at the structural level. There is, nonetheless, general support for the notion that legitimate corporate advocacy has a political dimension inasmuch as corporations have an ethical responsibility to protect – and, to some extent, realize – social and civil rights. Further, discrepancies between stakeholder perceptions are identified and explained with reference to the institutional incentive structures within which each stakeholder is situated. As such, stakeholders with Northern European backgrounds are more supportive of multi-stakeholder engagement across industry actors, while Bangladeshi stakeholders emphasize the importance of inter-company collaboration for alignment of activities and impact. This difference may be explained with reference to a strong tradition in many Northern European business systems for intimate relations and constructive collaboration between market, civil society and state actors as opposed to Bangladesh, where such relations are significantly more adverse. The main implication of these findings for H&M – and other companies engaged with or contemplating corporate advocacy – is that understanding in more detail the implications of different approaches to corporate advocacy for perceptions of legitimacy among stakeholders at the global and local levels will allow the company to strategize more effectively by winning general support for activities within areas of stakeholder perceptions alignment while ensuring the local embeddedness of activities within areas of divergence of such perceptions.
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<tr>
<td>AL</td>
<td>Bangladesh Awami League</td>
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<tr>
<td>BNP</td>
<td>Bangladesh National Party</td>
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<tr>
<td>CA</td>
<td>Corporate advocacy</td>
</tr>
<tr>
<td>CCC</td>
<td>Clean Clothes Campaign</td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>EPZ</td>
<td>Export-processing zone</td>
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<tr>
<td>H&amp;M</td>
<td>H&amp;M Hennes &amp; Mauritz Group</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<td>RMG</td>
<td>Ready-made garments</td>
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1. INTRODUCTION

In April 2013, Rana Plaza – a multistory factory building in one of Dhaka’s industrial hubs – collapsed, killing over 1100 garment workers (The Economist, 24 April 2014). Rana Plaza was home to several ready-made garment (RMG) manufacturers producing high street fashion garments for primarily Western brands, and so when the tragic news hit the international media, attention quickly turned to the role of Western buyers in ensuring safe labor conditions for textile workers upstream in their value chains. The collapse of Rana Plaza and the media attention which ensued should be seen in a larger context – one in which garment workers have protested for higher minimum wage levels and improved labor conditions for several years. In 2010, a string of protests brought thousands to the streets to pressure the government to further raise minimum wages to US$72 monthly – significantly higher than the US$43 monthly proposed by the government in the first revision of minimum wages in the industry since 2006 (NY Times, 16 August 2010). The protesters were unsuccessful. Since then, regular unrest among laborers has threatened the industry by applying pressure to factory owners, trade associations and the government as well as by leading to temporary closure of several factories manufacturing garments for export (Aljazeera America, 11 November 2013). In response, local and international non-governmental organizations (NGOs) report increases in police violence, including tear gas, rubber bullets, physical assault and unjust arrests during protests, as well as increases in abuse at the workplace, where many workers are victims of harassment, verbal threats, labor exploitation, and physical abuse (World Policy Institute).

The point of departure for the research presented on the following pages is the argument that years of conflict in the industry have underlying structural causes relating particularly to official setting and regular revision of minimum wages as well as (lack of) good industrial relations
between the parties in the industry. Safety hazards and worker exploitation – such as forced overtime, insufficient workspace and breaks, and unjust termination of employment – occur because workers are unaware of their rights and fail to negotiate fair standards and practices in the workplace. Similarly, low minimum wage levels and poor public safety regulation and enforcement are sustained because elite interests disrupt the inclusive participation of industry stakeholders in the political process. In the face of such structural barriers to improved conditions in the country’s RMG industry, public debate in both Bangladesh and the global West increasingly focuses on the extent to which responsibility for these issues can – and should – be assigned to Western brands, which purchase large quantities of garments in the country for rapid consumption in their global markets (The Wall Street Journal, 8 May 2013). Not surprisingly, this issue of responsibility for structural change is highly contested, and Western buyers themselves respond in very different manners. Some have taken practical steps to move production away from multistory buildings due to the higher risks of fire and building hazards, while others are searching for new sourcing countries where public scrutiny into wage levels, labor standards and industrial conflicts is less intense (ibid.). Still others opt to remain in the country, where they work to improve wage levels, working conditions and industrial relations through different corporate social responsibility (CSR) activities (The Economist, 24 April 2014).

The Swedish fashion company H&M Hennes & Mauritz Group (H&M) is an illustrative example of this approach to CSR for improved wage levels, working conditions and industrial relations. The company purchases more garments from Bangladesh than any other fashion retailer (Der Spiegel, 10 July 2013), and with an extensive emphasis on sustainable fashion and fair value chain impact, H&M is – as will be demonstrated in this report – considered a leading actor for positive development in the Bangladeshi RMG industry by many of its stakeholders. Efforts made by the company include collaboration with the ILO, membership of the Accord on Fire and Building Safety in Bangladesh, and the development of the innovative Roadmap to Fair Living Wages (see 4.1.3.1 Fair Living Wages). For these reasons, H&M functions as the case company for this project.
1.1 Problem Area and Research Question

The current research project thus takes a point of departure in genuine curiosity on the part of the researcher as to the potential synergies and conflicts arising when a market-driven actor such as H&M attempts to affect the political, social and industrial processes pertaining to this issue through corporate advocacy (CA). The curious questions guiding the framework for this research project thus include: To whom is H&M as a private corporation responsible? What is the scope and depth of this responsibility – where does it begin and end? What are the consequences of embarking on CA as a CSR activity to the legitimacy of the private corporation? And how do the answers to these questions vary with to the stakeholder asked? Clearly, these questions merit a broad, exploratory approach as well as a sharper reformulation of the chosen research focus. Thus, the research question guiding the work done in this thesis is:

**How do stakeholders perceive the legitimacy of corporate advocacy, and why?**

*The case of H&M Hennes & Mauritz Group’s corporate advocacy for improved wage levels and industrial relations in the Bangladeshi Ready-Made Garments Industry.*

Naturally, temporal and financial limitations as well as formal requirements to the research project implicate that delimitating choices must be made with regard to the stakeholders chosen for participation in the research. These choices and their consequences are discussed in Chapter 3 and Chapter 7. With a view to answering the research question, the project explores H&M’s CA activities in order to examine the legitimacy of these in the eyes of the selection of external stakeholders. The purpose of the project is thus not to normatively evaluate the appropriateness of H&M’s corporate advocacy activities but rather to estimate how these activities – in the eyes of the selected stakeholders – influence these stakeholders’ perceptions of H&M as a legitimate corporate actor.
1.2 Project Structure

The figure below demonstrates the structure of the research project. Chapter 1 introduces the general problem area, formulates the research question and stipulates the approach to answering it. Chapter 2 presents a review of existing literature within CSR, corporate citizenship, advocacy advertising, stakeholder theory, and institutional theory. Together, literature within these fields informs legitimate CA and places it within a structural context. The chapter also develops the analytical framework, which, in turn, informs the development of the interview guides. Chapter 3 presents the methodological considerations behind the project, including philosophy of science, research strategy and data collection methods. It also discusses strengths and weaknesses of these choices.

Figure 1.2: Project Structure
Chapter 4 presents an analysis of the empirical findings. The first part of the analysis presents the structural framework for the case and uncovers a number of institutional incentive structures while the second part of the analysis presents the findings of the stakeholder interviews themselves. Throughout the section, analysis is conducted with explicit reference to the eclectic theoretical framework. Chapter 5 discusses the analysis findings with a view to evaluating the explanatory power of institutional structures in particular and the eclectic theoretical framework in general on stakeholder perceptions of the legitimacy of CA. Chapter 6 concludes on the findings, discusses their direct relevance for corporations with particular emphasis on H&M as a corporate actor in the issue at hand and suggests a number of potential actions for improvement of legitimate corporate advocacy in Bangladesh. Chapter 7 evaluates the methodological soundness of the thesis project, points to practical and academic limitations to the research, and identifies potential areas for future inquiry. The project structure is illustrated as a research cycle in order to emphasize the exploratory nature of the research as well as to draw attention to the necessarily cyclical nature of scientific inquiry.
CHAPTER 2

2. THEORY

2.1 Theoretical Framework

CA as a scholarly theme is informed by multiple academic fields each placing different emphases on legal, strategic, normative, operational and managerial aspects. In the current project, CA is defined as “a competitive business tool that [...] organizations use to affect public opinion and create an environment more favorable to their position” (Haley 1996, p. 19) by “influenc[ing] audiences on topics beyond the conventional realm of products and services” (Sinclair & Irani 2005, p. 59). The theoretical framework which guides the research done herein rests on a number of contributions from a wide array of academic fields, including a political strand within CSR literature as well as corporate citizenship literature, both of which emphasize the influence of corporations – and, in particular, multinationals – on the social, civil and political context within which they operate. The following paragraphs outline these contributions and frame the approach taken to corporate advocacy in this project.

2.1.1 Globalization and the business mandate

Arguably, globalization has had significant impacts on the role of business in general and vis-à-vis civil society in particular. This view permeates all theories and academic work relating to CSR and CA presented throughout this chapter. There are clear indications that increasing global integration significantly alters how corporations can and do approach issues outside their immediate business operations as well as how civil society and political actors perceive of these efforts and the role of corporations in a more general sense. Fundamentally, globalization can be understood as “a process of intensification of cross-border social interactions due to declining costs of connecting distant locations through communication and the transfer of capital, goods, and people” (Scherer &
Palazzo 2011, p. 901). This process has numerous and important social, economic, political and environmental consequences, a thorough discussion of which is beyond the scope of this project. One key consequence for CA in particular, however, is what some scholars see as a general deterioration of the nation-state as a sovereign entity (ibid.). Scherer and Palazzo (2011) argue that while nation-states have traditionally had territorial autonomy and the capacity to stabilize social roles, expectations and cultures within a relatively homogeneous community, a “post-Westphalian order” is emerging today. This order is characterized by loss of regulatory power within nation-state institutions brought about by increasingly fragmented systems of authority, increasing ambiguity with regard to territorial and non-territorial borders and jurisdictions, and increasingly blurred lines between private, public and civil spheres (ibid.).

In many ways, globalization leads to a more homogeneous global society with converging consumer tastes, market practices and value systems where corporations and individuals can connect and interact more easily, cheaply and instantaneously. It should, however, be noted that such trends vary in extent and intensity across regions. The KOF Index of Globalization measures economic, social and political trends as key measurements of globalization and further references to economic flows and restrictions, information flows, personal contact and cultural proximity. The 2014 Index places Bangladesh as 67th of 207 countries with respect to political globalization but as 148th and 177th with regard to, respectively, economic and social globalization. In contrast, Singapore is ranked 1st place as the most socially and economically globalized country in the world while its political globalization is ranked 79th (KOF Index of Globalization). Similarly, Sife, et al. (2010) note that despite phenomenal growth in access to information and communication technologies among formerly isolated communities in developing and least developed countries, a digital divide persists between those with access and those without. Further, while Scherer and Palazzo (2011) focus primarily on trends of convergence, Habermas (Scherer & Palazzo 2011) argues that significant trends of divergence can be detected as well. Most importantly, Habermas notes the increase in pluralism of cultural and moral values as well as the conflicts between them. As a consequence of extensive connectivity between communities and individuals across the
globe, multicultural communities are emerging, and transformative social processes are taking place. These clash with reactive processes through which individuals and communities seek to reestablish national sovereignty and social coherence (ibid.). This project adheres to Jamali and Neville’s (2011) argument that globalization and, more specifically, perceptions of CSR undergo processes of both convergence and divergence, leading to a situation where multinational corporations are enabled to operate across national borders more freely and easily but must simultaneously navigate multiple social processes to sustain their operations. To account for these social processes, whereby corporate legitimacy claims may both converge globally and diverge locally, a subsection of this theoretical framework deals directly with institutional theory in relation to CSR and CA issues. Before turning to this topic, however, the following paragraphs introduce a selection of academic work relating to the new role of business in this rapidly globalizing context.

2.1.2 Political CSR and Corporate Citizenship
One tendency which has emerged in step with globalization is the growing concern for public responsibility deficits (Valente & Crane 2010) and democratic deficits (Crane & Matten 2010). Public responsibility deficits refer to the notion that the nation-state as an institution is losing its ability to provide and protect public welfare, as the dominance of the private sector and international economic activity continues to grow. Democratic deficits refer to the notion that multinationals increasingly engage in deterritorialized activities, leaving them less open to democratic control. Corporations are formally answerable only to a small number of individuals – their shareholders – and thus avoid much direct democratic accountability both within and outside their home markets. Arguably, these deficits reinforce each other inasmuch as the weakening of government institutions both accelerates and is accelerated by the direct involvement of private actors in fundamental economic activities and public service provision (Valente & Crane 2010). As a consequence, political CSR and corporate citizenship have occurred as important fields of study in business academia as frameworks for understanding the political and civil role of corporations. The key argument of these scholarly fields is that, in the face of public responsibility deficits and democratic deficits, corporations must (and largely do) move beyond the traditional stakeholder-as-
shareholder view and engage in “constant reaffirmation of their social legitimacy” (Crane & Matten 2010, p. 56).

The terms political CSR and corporate citizenship are often used interchangeably, and differentiating between them is, according to Edward and Willmott (2008, p. 771), “little more than an insignificant change of label”, because corporate citizenship was originally introduced as a term which extended the focus of CSR toward deliberate engagement with political processes (ibid.). As such, this project does not distinguish between the two. Scholars within this field focus predominantly on normative aspects of CSR by claiming that multinationals are often de facto political actors (Crane & Matten 2010) and should act accordingly by taking an active responsibility for political stability and equity (Scherer & Palazzo 2011). In their seminal article on the new political role of business, Scherer and Palazzo (2011) further expand on this notion by moving away from the chiefly economic and instrumental approach to CSR toward an ethical and political approach. This new approach encompasses the expansion of the scope of CSR from mere liability – assigning guilt or fault to actors in relation to their immediate interaction with others – to a model of social connectedness whereby actors bear a common responsibility for structural injustice and work toward solutions. Wettstien (2010) concretizes this view by introducing the notion of silent complicity. Silent complicity arises when “otherwise innocent bystanders […] turn into accomplices by not speaking out against the wrongdoings done to human beings” (ibid. pp. 36-37). Particularly in relation to the political role of corporations, silent complicity is devastating because it implies that corporations have undeniable authority to prevent wrongdoings simply by breaking their silence and speaking against the perpetrator. What follows from this conceptualization of corporate complicity is that corporate citizenship entails “the obligation to respect, protect, and realize human rights” (Wettstien 2010, p. 41). Political CSR, as presented by Scherer and Palazzo (2011), further entails a fundamental change in the societal foundations of CSR from liberal to deliberative democracy. Whereas liberal democracy exempts private actors from direct democratic control because “it is assumed that the legitimacy of the corporation is derived from the legitimacy of the political system, as long as private businesses […] do not break the law or intrude into the political
system” (Scherer & Palazzo 2011, p. 918), deliberative democracy aims to expand the playing field of policy-making beyond official governmental institutions to include all public will-formation at the level of civil society actors. The consequence of this new conceptualization is that corporations are directly involved with the protection and realization of social rights such as the right to education, healthcare, or welfare; civil rights including freedom from abuse and third-party interference and the right to own property, engage in the free market and exercise freedom of speech; and political rights enabling the individual to participate in processes of governance (Crane & Matten 2010).

When corporations face public responsibility deficits and democratic deficits, they can respond in different ways in order to embrace their political role. Valente and Crane's (2010) matrix of public responsibility strategies exemplifies these responses with particular reference to developing countries.

**Figure 2.1.2: Matrix of Public Responsibility Strategies**

![Matrix of Public Responsibility Strategies](image)

The focus on developing countries stems from the notion that “business has increasingly been seen as a major player in addressing public problems in countries lacking basic infrastructure and services” (ibid., p. 52). Such public responsibility deficits in developing countries place corporations in a situation which on the one hand provides the opportunity to explore business activities outside
their traditional domain while on the other hand increasing the risk of operational obstacles and legitimacy issues.

When corporations use a supplement strategy, they directly provide a public service which the local government is unable to (fully) provide singlehandedly, and they do so although such activities do not lie within their core operations. Examples of the supplement strategy include the construction of schools, health facilities or hard infrastructure such as roads and railways. A supplement strategy may be based on the wish to enable a better competitive environment and/or on a moral desire to respond to urgent public needs or even crises, and the benefits for corporations often include obtaining a license to operate and strengthening public relations. Corporations embarking on a substitute strategy provide public services directly through their core operations, e.g. by implementing and reinforcing codes of conduct in their value chains or by providing military, energy or sanitary services. The obvious benefit for corporations in this category is that they can tap into significant market opportunities while satisfying public needs. An alternative approach to public responsibility entails activities aimed at improving soft infrastructure in the public sector with a view to indirectly contribute to public goals. When corporations do this in a way that is not immediately compatible with their core-operations, they follow the support strategy. This includes building public capacity for governance at local, regional and national levels as well as intervening in policy-making regarding labor standards, wages levels, social protection, etc. Corporations may benefit from this strategy by diverting the bulk of the cost of service provision to public institutions while gaining locally embedded knowledge and capabilities. Lastly, corporations may choose a stimulate strategy when contributing to public infrastructure and social coherence through their core operations. Examples of this approach include providing alternative agricultural systems, offering commercial microfinance, or implementing innovative purchase practices. Such activities benefit the corporation commercially but also allow it to tap into the entrepreneurial spirit of the poor and thus stimulate the growth of a healthy local market (Valente & Crane 2010).
Valente and Crane (2010) highlight a substantial number of risks related to public responsibility activities. Perhaps the most pressing of these is the risk of legitimizing governance privatization – i.e. the notion that official governmental institutions are no longer expected to provide public services or ensure public infrastructure. On a similar note, corporations run the risk of dependency, whereby the local community comes to rely on the input of the corporation and thus does not develop organically or independently. An additional risk is that of democratic accountability, which may be overcome by sustaining the substantial costs involved with building trust and gaining political acknowledgement and support. A final risk is that of balancing public responsibility activities with core operations and, in turn, with stakeholder expectations. Such activities typically develop and grow over time, and their impact is often qualitative and longitudinal. Particularly, multinationals are often pressured by Western consumers and consumer groups to demonstrate a certain type of impact which can be easily understood and which corresponds to Western moral values. Sadly, “giving him the fish carries more clout for customers in the West than teaching him how to fish” (Senior Executive, Global Forestry Products in Valente & Crane 2010, p. 64). As such, public responsibility strategies – along with corporate citizenship in general – have an important institutional dimension, which will be dealt with later in this section.

2.1.3 The Pyramid of Corporate Social Responsibility

First introduced in 1979, Carroll’s Pyramid of CSR as a four-tier model for corporate responsibilities has gained widespread acknowledgement in academia and business practice as a useful tool for conceptualizing CSR activities (Jamali & Mirshak 2007, Crane & Matten 2010). According to the pyramid framework, CSR is a multi-layered concept consisting of the four components economic, legal, ethical, and philanthropic responsibilities. A multi-layered conceptualization of the phenomenon is crucial because, in order to be accepted as a legitimate social actor, corporations must address the entire spectrum of obligations of business vis-à-vis society (Carroll 1991). The lower tier of the pyramid is comprised of economic responsibilities defined as the commitment to produce goods and services required and desired by society, maintain a strong competitive position in the market, and stay consistently profitable. Economic
responsibilities are considered fundamental to any firm inasmuch as “all other business responsibilities are predicated upon the economic responsibility of the firm [and] without it the others become moot considerations” (Carroll 1991, p. 41) and are as such required by society. The second tier consists of legal responsibilities such as providing goods and services which meet minimum legal requirements, performing in a manner which is consistent with government and regulatory expectations at federal, state and local levels, and fulfilling the “social contract “ (ibid., p. 41) between a business and its surrounding community. Like economic responsibilities, legal responsibilities are required by society.

Figure 2.1.3: Pyramid of CSR

Third, firms must live up to a set of ethical responsibilities defined as those activities and practices, which – although not codified in legislation – are expected by society. These entail “standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights” (ibid., p. 41). The fourth and top tier of the pyramid consists of philanthropic responsibilities, which entail desired activities such as contributing to social welfare through the contribution of money, facilities, and employee time and expertise to humanitarian or charitable purposes. It is important to distinguish philanthropic responsibilities from ethical ones: while the absence of
ethical activities on the part of a firm leads to society’s perception of the firm as unethical, the absence of philanthropic activities does not. In this sense, philanthropic responsibilities are defined by their discretionary nature and are secondary to ethical responsibilities. This differentiation is necessitated by a tendency among firms to base their self-perception as ethical upon claims of philanthropic contributions and emphasizes that CSR includes but is not limited to philanthropy.

In order to be perceived as legitimate social actors, corporations must fulfill their responsibilities at all four levels of CSR (Crane & Matten 2010). In this regard, it is important to note that the four types of responsibilities are interrelated and dynamic, and that each should not be considered in isolation. Legal and ethical responsibilities, for example, exist in a constant interplay in which current societal expectations of ethical behavior prompts the abolishment or establishment of formal regulation, while the existing legal framework provides a backdrop for ethical discourse in the community (Carroll 1991). Similarly, ethical and philanthropic responsibilities may be difficult to distinguish in certain situations inasmuch as firms may – knowingly or subconsciously – embark on philanthropic activities in response to implicit ethical expectations in society. What also becomes evident from this review of the Pyramid of CSR is that context matters. Legal responsibilities in one context may constitute ethical responsibilities in a different context, where government institutions are weak, or considered philanthropic responsibilities in a third context, where the ethical expectations of the local community are less demanding. Matten and Moon (2008) apply a terminology of explicit and implicit CSR to describe regional differences in approaches to legal, ethical and philanthropic responsibilities as a result of varying regulatory and market traditions. According to this terminology, CSR in the United States can be characterized as explicit inasmuch as corporations employ a strong terminology of corporate responsibility, community contribution, and ethical conduct. This approach to CSR entails that compliance becomes an ethical responsibility as a result of compliance pressures placed on the corporation by its stakeholders. In contrast, much of Europe is characterized by implicit CSR inasmuch as corporate responsibility compliance is, to a significant extent, formalized in law or negotiated at the sectoral or national level rather than within the corporation. Another example is that of philanthropy. The private sector
in the United States has a longstanding tradition for charity and social contributions to the local community, whereas such activities are much less common in Europe (Matten and Moon 2008). This stems from cultural differences in perceptions of the individual’s and the corporation’s relative capacity for participation and philanthropy as well as variations in “ethics of stewardship” (ibid., p. 408) and sense of the moral worth of capitalism. As a result, philanthropy in Europe may be characterized as a discretionary activity – desired but not expected by society – while philanthropy in the United States is better understood as an ethical responsibility, which is expected in order for the corporation to be perceived as ethical. As demonstrated, institutional contexts increase the complexity of fulfilling responsibilities required, expected and desired by societies in different parts of the world. This notion is further expanded upon later in this chapter.

2.1.4 Stakeholder Theory

Another prominent theoretical framework relating to CSR and the notion that business has a social role vis-à-vis its surroundings is the stakeholder theory developed in the 1980s by Edward Freeman. According to this framework, any firm has a number of stakeholders defined as any group or individual who “can affect or is affected by the achievement of the organization’s objectives” (Freeman in Crane & Matten 2010, p. 61). In a few more words, firms are governed by the principle of corporate rights and the principle of corporate effect: the former requiring firms to respect and not violate the rights of others and the latter requiring firms to take responsibility for the effects on others as a result of their existence and activities (ibid.). These principles extend to primary stakeholders – including customers, employees, suppliers, communities and financiers – as well as secondary stakeholders – such as legislators, competitors, the media, special interest groups and consumer advocate groups (Freeman, et al. 2007). The stakeholder framework differs fundamentally from traditional conceptions of the firm as exclusively answerable to shareholder interests through fiduciary responsibilities as presented most predominantly by Milton Friedman (Crane & Matten 2010). While Friedman’s conceptualization focuses on profit maximization and shareholder dividends – assigning moral responsibilities to individuals and public service provision and social welfare to governments – the stakeholder theory claims that the firm must manage and
shape its relationship with various stakeholders. Regardless of this more inclusive conceptualization of the role of business vis-à-vis its stakeholders, the stakeholder theory remains strategic in nature. Freeman emphasizes that understanding a business entails understandings its relationships, and that commercial success depends upon the efficient management of these relationships for value creation (Freeman, et al. 2007). Value creation is here regarded in a holistic sense inasmuch as it requires not only operational efficiency but also legal compliance – e.g. acknowledging the legitimate legal stake in the firm held by employees, customers, and civil society – and issues of externalities, such as the long-term operational and branding effects of closing down a branch in a dependant local community or moving parts of production offshore at significant losses for tax collectors (Crane & Matten 2010). One consequence of this conceptualization is that accountability and transparency become key issues to corporations because they must maintain good relationships with a number of constituents who do not traditionally have direct insight into business operations. Another is that firms must take into account and balance the salience of numerous stakeholder claims and respond to them appropriately – e.g. through multi-stakeholder initiatives. As we will see later, such activities are sensitive to the institutional context in which they take place.

2.1.5 Corporate Advocacy Advertising

In advertising literature, CA is often referred to as issue advocacy, advocacy advertising and marketplace advocacy. Although Haley (1996) notes that CA may relate to a wide variety of activities ranging from a genuine desire to improve social welfare, over attempts to improve the organization’s image as a good corporate citizen, to seeking to deflect criticism or prevent undesirable regulation, there is a general tendency in advertising literature to treat CA as a defensive strategy. In their examination of consumer attitudes toward advocacy advertising and organizational credibility in the biotechnology industry, Sinclair and Irani (2005) thus argue that CA is mainly driven by attempts to establish a positive attitude toward new biotechnologies among the general public, and that these efforts are a response to public concerns about food safety. Similarly, Miller and Sinclair (2009) probe into the perceptions among local communities toward the
coal mining industry in West Virginia, noting that firms promoting such “risk-related products” (ibid., p. 37) have begun looking for ways to defend themselves against public criticism.

Despite this bias toward CA as a defensive strategy for risk management, the advertising literature is rich with models and frameworks for understanding recipient perceptions of such activities. Although much research in this field focuses on the end consumer as the sole recipient of such activities, its theoretical underpinnings are of value here as they contribute to a nuanced understanding of the importance of recipient perceptions to the legitimate advocacy activities of corporations. Likewise, organizational credibility is arguably a key aspect of establishing a legitimate platform for public policy influence within corporations. Haley's (1996) model frames consumer perceptions of organizational credibility within three dynamic dimensions: perceptions of the self, perceptions of the organization, and perceptions of the issue. Perceptions of organizational credibility are thus the result of relationships between the self and the organization; the organization and the issue; and the issue and the self. The self-organization relationship contain considerations such as whether the corporation is known and recognizable, whether the corporation offers likeable products and services, whether the corporation demonstrates actions to back up its claims and promises, whether the corporation possesses knowledge and expertise in communicating with the intended audience, and whether the corporation expresses values and behavior which are congruent with and relevant for the consumer's personal beliefs. The organization-issue relationship entails considerations including whether there is a logical and identifiable association between the corporation and the issue, whether the corporation is perceived to have specific expertise or prior experience with the issue, whether the corporation has first-hand experience with the negative consequences of the issue and thus a personal investment in its improvement, and whether the primary intent of the corporation’s advocacy activities is a true devotion to public service or mere publicity. The final relationship – the issue-self relationship – incorporates considerations of importance of the issue to the individual and to society in general, as well as whether the recipient can somehow help to improve the issue through individual action. Arguably, individual perceptions of the self must be expected to have a different influence on
perceptions of organizational credibility in the context of organizational stakeholders as recipients rather than end consumers. Nevertheless, they are included here because structural and organizational identities among organizational stakeholders such as local NGOs and labor unions, government bodies, and global campaign organizations may very likely affect how these stakeholders perceive of their relationship with H&M and the legitimate public policy role of the corporation.

Sinclair and Irani (2005) complement this framework by adding a public accountability dimension, defined as corporations “being answerable to audiences for fulfilling obligation, duties and expectations” (ibid. p. 61) when engaging in CA. Public accountability in this sense refers to the notion that perceptions of self, organization and issue are situated within a set of social and societal rules which hold corporations accountable for their actions. These rules include not only formal regulations and policies but also social norms, values and belief systems governing social interaction. As such, Sinclair and Irani (2005) seek to contextualize Haley’s framework with reference to the formal and informal institutions of any given society. As we will see later, such institutional sensitivity may be highly relevant for stakeholder perceptions of legitimate CA.

2.1.6 Institutional Theory and Corporate Social Responsibility

As is evident from the above review, institutions understood as “the humanly devised constraints that structure political, economic and social interaction” (North 1991, p. 97) have a significant impact on how multinationals can and do embark on CSR and CA in a given social, market and regulatory context. First put forth by North (1991), institutional theory is based on the notion that institutions may be formal or informal, and that together, “institutions provide the incentive structure of an economy” (ibid., p. 97). To better conceptualize their impact on social interaction, institutions may be divided into three pillars of influence: regulative institutions include formal rule and enforcement systems; normative institutions stipulate legitimacy and morality; and cognitive institutions entail taken-for-granted beliefs which govern social action (Peng 2003). In this project, culture is understood as an informal institution which permeates both normative and cognitive
pillars of influence. Culture as an institutional factor may be defined as “stable, valued, recurring patterns of behavior” (Huntington in Matten and Moon 2008, p. 406) and includes the broad assumptions and belief systems which guide how individuals and societies make sense of morality and capacity (Matten and Moon 2008).

Essential to institutional theory is the concept that institutions change over time, and that they influence and are influenced by organizations and individuals. One example of such institutional transitioning is presented by Peng (2003), who demonstrates how countries develop from relationship-based to rule-based markets as economic transactions become increasingly complex. Institutional transitioning is apparent in many developing countries and is characterized by incremental transitions disrupted by sudden discontinuous changes (ibid.). Arguably, the process of globalization augments both incremental institutional transitioning and discontinuous changes brought about by changes in international political affiliations, diplomatic relationships, and international trade patterns. An example of such discontinuous change augmented by globalization is the transition of the Eastern European economies after the fall of the Berlin Wall in 1989. Driven by abruptly changing geopolitical conditions and sudden exposure to international markets, Eastern European countries experienced significant institutional transitioning in the years following the end to the Cold War. Similarly, emerging markets such as Brazil, Russia, India and China are undergoing incremental institutional transitioning at an accelerated pace compared to that of now developed nations. This development is driven both by international political interests – such as those represented by the World Bank and the IMF – and exposure to international trade patterns and market opportunities.

The particular importance of institutional theory and the regard for context for corporations engaged in CSR and CA activities merits specific attention inasmuch as “CSR manifestations need to be analyzed in the context of historically grown institutional frameworks that shape national business systems” (Jamali & Neville 2011, p. 604). National business systems cover such aspects as political, financial, cultural, educational and labor systems (Matten and Moon 2008), and these
are particularly salient in the case of CSR because “different societies have developed different systems of markets, reflecting their institutions, their customary ethics, and their social relations” (ibid., p. 407). It must therefore also be expected that they have developed different ways of perceiving legitimate corporate action in the social and public spheres. As such, corporations must not only live up their legal responsibilities by respecting the regulative institutions of any given context but must also adhere to normative and cognitive institutions if they wish to be accepted as legitimate social and political actors. This implies, among other things, engaging with issues which are considered relevant by the local community and doing so in a way which does not clash with the community’s normative and cognitive perceptions of the role of private business actors. Despite trends of convergence as a consequence of globalization, these perceptions differ markedly between regions and nations: In Europe, governments, trade unions, and corporate associations are generally regarded as the key drivers of business ethics, while corporations draw their legitimacy from compliance with agreements and laws. In contrast, corporations and NGOs in Asia are often included as key actors in driving the business ethics agenda and engage much more actively with governments (Crane & Matten 2010). Consequently, multinationals often find themselves in positions of institutional duality, pressuring them to conform to the value system of the parent company’s home market while complying with the institutional infrastructure of the host market (Jamali & Neville 2011). Institutional duality can represent particularly salient risks in the case of CA inasmuch as moral questions such as the legitimacy and social and political mandate of the corporation is highly contingent upon cultural, normative and cognitive institutions in the local context. As exemplified above by the quote from a Senior Executive of Global Forestry Products, local labor market stakeholders may attempt to pressure the corporation to teach them “how to fish” while Western consumers require quick-fix solutions such as to “give them fish”. In situations such as these, multinationals must be exceedingly sensitive to multiple institutional contexts and take a clear stance on whose interests are taken into account and which value systems guide CSR. Traditionally, CSR activities have been aimed at ensuring upward accountability, understood as ensuring legitimacy in the eyes of Western consumers, advocacy organizations and media outlets (Jeppesen & Lund-Thomsen 2010). However, rising concerns for public responsibility
deficits and democratic deficit are gradually leading to increased sensitivity to the social embeddedness and contextual sensitivity of CSR.

2.1.7 Eclectic Theoretical Framework

As the above paragraphs illustrate, CA is informed by numerous academic strands within CSR, international business, advertising and institutional literature. Based on these contributions, the eclectic framework depicted below provides a nuanced understanding of what constitutes legitimate corporate behavior vis-à-vis society and political institutions, inasmuch as it is undoubtedly clear that corporations are expected – if not required – to adopt a normative, proactive and political role in the globalized world of today.

**Figure 2.1.7: Eclectic Theoretical Framework**

This idea of the socially embedded, contextually sensitive and politically aware corporation, as well as the notion that CSR and CA are “located in wider responsibility systems in which business, government, legal and social actors operate according to some measure of mutual responsiveness, interdependency, choice and capacity” (Matten and Moon 2008, p. 407), steers the work presented throughout this thesis project. The eclectic theoretical framework developed
here builds on this approach and guides the collection and analysis of primary data. Nevertheless, the extent to which corporations can embrace this role without provoking claims and perceptions among stakeholders of lacking democratic accountability, discretionary selection or power abuse remains unclear. For this reason, the critical approach taken to the design of interview guides merits individual attention.

2.2 Interview Guides

The purpose of the interviews is to build upon existing theory and test their explanatory power as well as their conceptual and practical boundaries. This means reformulating frameworks, models and arguments into critical questions and thus uncovering how the extent and design of H&M’s CA activities with regard to wage levels and industrial relations in the Bangladeshi RMG industry influences stakeholder perceptions of the company’s legitimacy. Institutional factors are used to probe for explanations as to why these perceptions occur and to uncover the underlying value systems and assumptions that guide them.

2.2.1 Interviews with H&M

In order to gain detailed background information about H&M’s experience with CA as well as framing the company’s strategic and ethical considerations with respect to these activities, two interviews were conducted with, respectively, the Public Policy Responsible at the H&M headquarter in Stockholm, Sweden and the Relations Responsible at the H&M office in Dhaka, Bangladesh. The participants were asked to explain in brief their personal and professional experience with CA, describe the current key CA activities of H&M, and identify the most important stakeholders in relation to the relevant activities. Subsequently, the participants were asked to share their thoughts on a number of aspects of CA. The interview guides may be found in Appendix A.
The Public Policy Responsible was asked about the company’s overall approach to CA as well as strategic considerations behind engaging with any given social or public policy issue. These questions were designed to uncover H&M’s own conceptualization of its role as a corporate citizen – i.e. to probe into explicit or implicit emphases on social, civil and political rights and perceptions of the company’s obligation to respect, protect, and/or promote those rights – as well as understanding at which level of the Pyramid of CSR H&M places CA. The Public Policy Responsible was also asked about stakeholder identification with a view to understanding how H&M works with stakeholder management and prioritizes the potential conflicts of interest which might occur as a consequence of institutional duality. The Relations Responsible was asked to elaborate on his job role and explain in more depth how he identifies and engages with stakeholders at the local level. The purpose of these questions is to gain insight into H&M’s organizational structure and – by extension – the company’s approach to upward accountability vis-à-vis contextual sensitivity. Specifically, the questions aim to place H&M on a continuum from unilaterally communicating and promoting corporate activities in the local context to having a locally embedded subsidiary which communicates local trends and developments to the headquarter, with the objective to understand how H&M manages institutional duality and ensures the contextual adaptation of CA activities. Finally, both participants were asked a number of questions pertaining to their perception, experience and management of risks, challenges and resistance connected with advocacy activities. These questions focused on aspects such as authority, legitimacy, power relations, and shared or conflicting interests. The participants were asked to share their thoughts on these topics in order to uncover how H&M works with transparency and public accountability issues and to identify which aspects of CA entailed the most salient challenges to legitimacy from the company’s own point of view. In sum, these interviews function as a backdrop for understanding CSR and CA at H&M as well as a point of departure for identifying potential conflicts with local, Western and global stakeholders in relation to wage and labor rights issues in Bangladesh’s RMG industry.
2.2.2 Interviews with Western and Bangladeshi Stakeholders

With a point of departure in the background interviews conducted with H&M’s Public Policy Responsible and Relations Responsible for Bangladesh, an additional number of interviews were conducted with a selection of H&M’s external stakeholders in order to uncover critical aspects of perceptions of legitimacy with regard to corporate advocacy activities in general and those of H&M in Bangladesh in particular. The following paragraphs provide an overview of the content and structure of these interviews with reference to the eclectic theoretical framework, while a discussion of the choice of stakeholders – as well as the potential strengths and weaknesses resulting from this choice – is conducted in Chapter 3. The interview guide may be found in Appendix B.

Initially, the participants were asked to describe their organization, engagement and strategic focus in order to familiarize the researcher with the defining characteristics of the organization as well as to probe into assumptions about organizational identity and vision. Similarly, the participants were asked to reflect on the legitimacy of their organization’s mandate in relation to their overall activities as well as the issue of wage and labor standards in Bangladesh’s RMG industry specifically. The purpose of this question is to discover both how legitimacy perceptions are formed and communicated and how the organization creates perceptions of self and of the self-issue relationship. In order to learn how the organization acts vis-à-vis other stakeholders and navigates its general operational context, the participants were asked how they conceptualize social policy issues; decide to engage with given issues; identify and approach relevant stakeholders; and strategize to achieve their vision. Second, participants were questioned in more detail about collaboration with other stakeholders, including government bodies, employers, employees, labor unions, NGOs, and corporations, and how they perceive of the benefits and risks relating to such collaboration with respect to a number of aspects, including legitimacy, rights, influence, power dynamics, impact effectiveness, and resource efficiency. The purpose of these questions is to understand how the chosen stakeholders view the legitimacy of other stakeholder claims as well as how they conceptualize public accountability and transparency in relation to stakeholder
collaboration specifically. In addition, these questions probe into whether the stakeholders focus primarily on effect aspects (influence, impact effectiveness and resource efficiency) or rights aspects (legitimacy, accountability and power dynamics) of CSR and CA. Lastly, the participants were invited to elaborate on their opinions and perceptions through three final questions. The first focused on the perceived role of multinational corporations in relation to social and public policy issues; the second probed deeper into what a corporation should or must do as well as what is cannot or should not do; and the third related directly to the participants’ experiences with H&M as an actor in this issue and as a collaborator. The first two questions aim to uncover where the stakeholders place legitimate CA activities on the Pyramid of CSR as well as in the Matrix of Public Responsibility Strategies, and they provide a deeper understanding of the degree to which corporations are expected to respect, protect and realize human rights, while the third question uncovers perceptions of the self-organization and organization-issue relationships.

It is important to note that the researcher probed into institutional factors throughout the interviews, and that the interview guide contained no explicit questions pertaining to the stakeholders’ institutional framework. Inasmuch as (particularly informal) institutional structures are often subconsciously accepted and taken for granted, inquiry into this area was done through careful observation of sense making and argumentation during the interviews, as these aspects can be expected to reflect cultural, normative and cognitive institutions.
CHAPTER 3

3. METHODOLOGY

With the theoretical and analytical frameworks in place, the current project now turns to methodological considerations. With a point of departure in philosophy of science, the following paragraphs first outline the ontological and epistemological paradigm guiding the research and subsequently discuss more practical aspects of the methodological choices made over the course of the research cycle.

3.1 Philosophy of Science

This research project adheres to critical realism. As such, it asserts that there is an external reality which exists irrespective of human beings. This is to say that objects – not only natural objects but also social objects and, indeed, human actions – have an intransitive dimension, which makes them real and meaningful independently of our opinions, perceptions or alleged knowledge of them. Nevertheless, objects also have a transitive dimension, which allow social beings to construct meaning for them in relation to social practice and interaction (Potter and López 2001). This ontological assertion necessitates the existence in reality of order and structures, because without these interaction between the intransitive and transitive dimensions of objects would not be possible in a sense that enables meaningful human action (ibid.). Structures in relation to social science should be understood as pre-existing, deeply embedded patterns of behavior which “limit our range of possible choices of action and thought” (Potter and López 2001, p. 15). They are, nonetheless, dependent upon human action and would not exist without it. As such, humans as objects in reality are simultaneously free agents (in their intransitive capacity) and the result of social structures (in their transitive capacity).
The epistemological consequence of this ontological assertion is that scientific inquiry into and knowledge accumulation about social phenomena is indeed possible, but that the researcher must pay particular attention to the way scientific knowledge is generated along with its potential fallacies. Simply stated, “human beings produce knowledge, and human beings can be mistaken” (ibid., p. 9). Mistakes may occur during observation or inference and may cause (or be caused by) errors in explanations, knowledge or ideology. Therefore, it is the responsibility of the researcher to maintain a conscious and critical awareness of fallacies rather than strive for utter objectivity. Further, knowledge creation should be considered within its social and historical structure, and it should be acknowledged that the process of knowledge creation is progressive but nonlinear (ibid.). Instead, it is useful to think of knowledge creation as a research cycle (Tackney 2013), in which the researcher moves in a cyclical manner between theory, observation, and generalization with a view to reevaluating existing theory and continuing the research cycle. As such, critical realism places empirical inquiry within humanly caused social structures, which should neither be regarded as an isolated laboratory-style experiment or as a setting for natural interaction. This is to say that scientific findings never fully exhaust reality – but they may nevertheless constitute meaningful and valuable knowledge (Potter and López 2001).

With respect to the work done in this project, critical realism as a philosophical stance guides all methodological, theoretical and analytical choices. As such, the individual – as a representative for the organization – is assumed to develop real and meaningful conceptualizations of legitimate CA on the basis of discrete perceptions of the political mandate and dynamics of power and influence characterizing the corporation. Once these perceptions and conceptualizations are uncovered, an attempt is made to explain them with reference to the structural context in which they occur. Similarly, the researcher acknowledges that the findings generated here constitute individual conceptualizations and constructs subjectively interpreted by the researcher within her cultural and historical context. Last, the research cycle entails an inductive return to the eclectic theoretical framework. The aim is to evaluate the appropriateness of applying the selected approach to the research issue at hand and to suggest areas for future research. The paragraphs below present
relevant methodological choices following this philosophical stance and discuss potential strengths and weaknesses of these choices.

3.2 Research Strategy

The research strategy adopted here is primarily deductive, and empirical inquiry sets out from existing literature with a view to understanding in depth the key aspects, dynamics and boundaries of legitimate CA. This deductive strategy is appropriate for exploratory research such as the present, because it enables the researcher to explicitly tie empirical findings to existing literature, thus strengthening the broader theoretical significance and generalizability of the findings (Saunders, et al. 2009). The exploratory research design is particularly useful for the current topic of inquiry inasmuch as CA as a source of – and potential threat to – corporate legitimacy is a relatively understudied topic in current literature. As such, deducing focus areas for inquiry on the basis of existing literature from a broad range of academic fields aids to sharpen – and, thus, heighten the quality of – the research.

3.3 The Case Study

The choice of H&M’s CA work as a single case study is based on multiple considerations. First, the decision to conduct a single case study of a private business has both practical and methodological strengths as it allows the researcher relatively easier access to background information and primary data as well as ensures the direct relevance of the research to one or more business actors beyond the academic realm. Second, the choice of CSR as a general theme for the thesis stems from a sincere interest on the part of the researcher in the role of the multinational corporation in social and economic development as well as the synergies and conflicts which may arise in this relationship. As such, the researcher approached a small selection of multinational corporations generally acknowledged as leading in the field of CSR within their sectors. The pitch sent to these corporations framed the general theme of the thesis and proposed one or two research issues identified as relevant for both the researcher and the corporation in
question. The final choice of H&M’s CA activities in relation to the Bangladeshi RMG industry as a case for further research was made on the basis of a keen interest on behalf of the company in learning more about this topic as well as a recognition that this topic is relatively untreated in both academic and business fields of CSR. Consequently, the primary purpose of the research conducted herein is to create valuable knowledge for H&M in its strategic work with CA rather than ensuring broader generalizability. Nevertheless, the project seeks to move beyond this narrow focus by drawing conclusions which may be useful for other companies engaged – or contemplating engagement – in CA.

3.4 The Role of the Researcher

A note on the researcher’s role in regard to these case study choices and decisions merits mention. Specifically, the researcher is currently a part time employee of the Danish H&M support office and as such has dual roles vis-à-vis H&M. As an employee, the researcher is in a position to accumulate tacit knowledge and a profound understanding of the corporation, including its operations, objectives, culture and decision-making processes. This accumulated knowledge and understanding closely resembles the empirical data which might have been collected through a participant observation strategy, where the researcher openly or covertly participates in the daily lives of the observed (Becker and Geer 1958). Nonetheless, without the necessary resources to travel to Bangladesh or the H&M headquarter in Stockholm, Sweden for a long extent of time, a full participant observation strategy is unviable. The alternative strategy chosen, a qualitative semi-structured interview technique, is presented in depth further below. Parallel to the opportunities represented by the dual role of the researcher vis-à-vis H&M are a number of risks. Particularly, the researcher runs the risk of bias as a result of personal predispositions regarding the company and its CSR and CA work. King and Horrock (2010) argue that such dual – perhaps even conflicting – researcher roles may be accepted insofar as the researcher is explicit about them and draws sharp boundaries between her academic and professional roles while making responsibilities, dependencies and preferences clear from the outset. A related risk is the extent to
which interview participants perceive the researcher as independent, objective and trustworthy. This risk is discussed in the subsequent section.

3.5 Data Collection

The research project rests on data collected through a qualitative interview strategy. This is a useful approach as the research question requires the uncovering of assumptions, perceptions and experiences (Becker and Geer 1958) of H&M’s key stakeholders in regard to wage levels and industrial relations in Bangladesh’s RMG industry. The purpose of the qualitative survey design is to explore and characterize key aspects, dynamics and boundaries to the legitimacy of H&M’s CA activities as conceptualized and constructed by the identified stakeholders. The research design requires the collection of two empirical data sets. The first consists of background information on the institutional context of Bangladesh; social, political and market trends shaping the RMG industry; general knowledge and understanding of H&M as a multinational corporation; and the strategic, ethical and business objectives underlining the corporation’s advocacy activities. This information is collected through a mix of primary and secondary qualitative data sources such as books, news articles, academic journal articles, participant observation, and interviews with H&M representatives. The purpose of this data set is to develop a meaningful contextual backdrop and identify potential explanatory factors for the discussion of the findings later on in this project.

The second data set consists of individual, semi-structured interviews with a number of identified stakeholders vis-à-vis H&M’s CA activities pertaining to wage levels and industrial relations in Bangladesh’s RMG industry. The stakeholders were initially contacted for participation through email or telephone. The emails were sent from the researcher’s private email address with reference to the contact person at H&M or other relevant organizations who had provided the contact details of the stakeholder in question. By approaching stakeholders in this way, prospective participant are informed from the outset that the researcher works independently but with support from H&M’s sustainability department. The use of semi-structured interviews allows
for ongoing adaptation to the participant’s responses during the interview. This is particularly useful for exploratory studies as it may uncover individual beliefs and perceptions through open-ended questions and probing techniques (Saunders, et al. 2009 and Easterby-Smith, et al. 2012). Similarly, semi-structured interviews are highly fitting for inquiry into complex issues and topics, and this is especially useful when researching multiple perceptions of limits and boundaries to a conceptually fragmented issue such as CA.

Some potential weaknesses of this method exist. First, qualitative data risk researcher bias. The researcher may unconsciously probe for answers which correspond with preconceived ideas; she may unknowingly exclude questions or topics due to assumptions of which she is unaware; or she may misunderstand interview participants because of limited familiarity with the participant’s background, culture and use of language and terms (Becker and Geer 1958). These issues can strongly affect the reliability and validity of the study if not appropriately addressed (Saunders, et al. 2009). Here, they are mitigated through probing techniques such as repeating, rephrasing and encouraging elaboration on the participants’ answers during the interviews. A second potential weakness arises as a consequence of the participant identification strategy. As the primary purpose of the project is to explore the legitimacy of H&M’s CA activities, it is natural that H&M should be involved in the selection of relevant stakeholders for participation. Hence, while the researcher gave a brief characteristic of the types of stakeholders required to gather data of sufficient amounts and quality – including labor unions, trade associations, government officials, NGOs, and watchdog organizations – H&M identified and provided contact details for the concrete stakeholders initially chosen for participation. In addition, the researcher independently identified and contacted a number of stakeholders for participation to supplement those chosen by H&M. These stakeholders were identified through online searches, communication with university professors and contact to organizations such as SwedWatch, 3F, and the Ethical Trade Initiative. This method cements H&M’s commitment to the project, ensures the relevance of the chosen participants, and heightens the stakeholders’ propensity to participate while simultaneously minimizing the risk of distorting the empirical findings by excluding certain stakeholder groups or
harming the participants’ trust in the independence and objectivity of the research. While this risk may not be entirely overcome, the researcher attempts to minimize the risk by clearly emphasizing the independence of the study and, where needed, shifting the focus toward the RMG industry and the role of multinationals in general rather than H&M in particular.

Several factors would have led to a methodologically stronger result. First, sufficient financial resources for traveling to Bangladesh and Sweden would have facilitated access to a larger number of stakeholders and enabled face-to-face interviews, thus increasing mutual trust and understanding as well as the researcher’s sensitivity to non-verbal expressions and communication. Such resources would also have allowed the researcher to conduct more thorough participant observation, which in turn might have led to a more nuanced understanding of the underlying trends and interactions which shape the objectives, perceptions and opinions within H&M and among the participants. Second, better access to contact persons within public institutions in Bangladesh would have facilitated a broader spectrum of stakeholder perceptions. Due to bureaucracy in Bangladeshi public institutions and the critical nature of the topic at hand, these stakeholders proved exceedingly difficult to engage in dialogue. Lastly, a larger general sample of stakeholders from both Bangladesh and the West would have improved the ability to triangulate data and detect outliers. As the scope of the research as well as practical limitations and finite financial resources made these additions unviable, participants were selected so that the final data set is as versatile a representation of relevant stakeholders as possible. A practical limitation to the data collection is the documentation of interview data. As the interviews were conducted via Skype or telephone, audio recordings were made during the interviews. These recordings can be found in Appendix C, while Appendix D contains a brief description of each participant.
3.6 Data Analysis

The collected data is analyzed using a thematic data analysis technique. Although much of methodology literature treats thematic techniques as a common-sense method (King and Horrocks 2010), a brief presentation of the method and its use herein is of merits. Thematic analysis is specifically appropriate for qualitative interview data as it enables the researcher to identify themes understood as “recurrent and distinctive features of participants’ accounts, characterizing particular perceptions and/or experiences, which the researcher sees as relevant to the research question” (ibid., p. 150). A key strength of this method is that it prompts the researcher to identify themes across the full data set while simultaneously making deliberate choices regarding focus and relevance vis-à-vis the research question. Similarly, it may add to the balance between clarity and inclusivity when analyzing the data set (ibid.). In this project, thematic analysis techniques are used to make sense of the interview findings vis-à-vis the eclectic framework developed in the theory section. As such, the framework functions as a preliminary tool for thematic mapping, although attention is also granted to themes and ideas outside the framework as they emerge from the data set. Similarly to data collection, thematic analysis of qualitative data presents some potential methodological weaknesses, particularly with regard to researcher bias. In this project, these potential weaknesses are sought overcome through explicit awareness of the risk of bias during thematic mapping and analysis as well as clarity about the choice of focus and relevance vis-à-vis the research question and with reference to the eclectic theoretical framework.
4. ANALYSIS OF FINDINGS

The sections in this chapter compile a presentation and analysis of the empirical findings from primary and secondary data sources as described in Chapter 3. The first sections, 4.1 and 4.2, present the contextual backdrop relating to H&M and the Bangladeshi RMG industry. The purpose of these sections is to classify H&M’s activities with reference to the eclectic theoretical framework; analyze the institutional incentive structures pertaining to the case; and set the scene for a common understanding of the subsequent discussion of the findings. The following section, 4.3, presents stakeholder perceptions as uncovered by the data and analyzes these thematically according to the eclectic theoretical framework.

4.1 H&M Hennes & Mauritz Group

4.1.1 History, Company Structure and Financial Performance

In 1947, Erling Persson founded the fashion company Hennes in Västerås, Sweden. Originally a women’s brand, the company acquired the wildlife equipment store Mauritz Widforss in 1968, changed its name to Hennes & Mauritz and began selling men’s and children’s wear alongside its women’s collections (www.about.hm.com). Since then, the company has grown into a corporate giant in the global fashion industry. Today, the H&M Hennes & Mauritz Group (consisting of the brands H&M, H&M HOME, COS, & Other Stories, Cheap Monday, Monki and Weekday) employs 116,000 people in more than 3,100 stores, offices and distribution facilities in over 50 markets (H&M Annual Report 2013). Further, H&M sources its products from 872 suppliers who produce garments in more than 1,900 factories in Europe, South Asia and the Far East (H&M Conscious Actions Sustainability Report 2013 and www.sustainability.hm.com). As such, the company today manages a supply chain that is global in every sense of the word.
The vast majority of shareholders in H&M are Swedish. The lion’s share, 37.7%, is held by founder Erling Persson’s son Stefan Persson and family, while Lottie Tham and family (5.3 %), Alecta Pensionsförsäkring (3.7 %) and Swedbank Robur Fonder (2.7 %) are other major shareholders. The founding family also holds the majority of voting rights at 69.7% (H&M Annual Report 2013). The interests of shareholders as well as the overall financial performance of the company are managed by the Board of Directors, consisting of twelve members, including employee representatives and individuals both working within and outside the company. The Chairman is Stefan Persson (ibid.). H&M’s head office is situated in Stockholm, Sweden, and activities relating to design, buying, expansion and sustainability are, among others, centered here. In turn, each H&M sales market has a support office which communicates corporate information, activities and decisions to business units in the market and provides support in day-to-day operations. Key sourcing markets – including Bangladesh – have production offices responsible for maintaining close relations with suppliers, managing audits, monitoring macro-economic conditions, and ensuring good industrial relations (H&M Conscious Actions Sustainability Report 2013). A key characteristic of H&M’s financial model is that all investments are self-financed. As such, H&M uses no outside funding for its business activities, and profits and savings are prerequisites for any new profit-giving activities. Another important characteristic of corporate structure is that H&M owns no garment manufacturing facilities. As noted above, H&M instead sources its garments from a large number of independent suppliers in Europe, South Asia and the Far East.

The H&M Annual Report for the financial year 2013 demonstrates a 9 % rise in total sales from US$ 20.8 billion in 2012 to US$ 22.1 billion in 2013. This increase is the result chiefly of ambitious market expansion across existing and new markets, improved market shares in existing markets and careful attention to cost reduction in daily operations (H&M Annual Report 2013). In total, H&M earned US$ 3.3 billion in profits after financial items in 2013 despite the lingering of challenging macro-economic conditions in many markets as well as major long-term investments in areas including IT, online sales, broadening product ranges, and new brands (ibid.). H&M has an
explicit annual growth target of 10-15% in number of stores in both existing and new markets combined with increased sales in comparable units (ibid.).

4.1.2 Culture, Values and Corporate Identity
H&M adheres to the business concept of “fashion and quality at the best price” (H&M Annual Report 2013, p. 6) and describes its corporate identity as “a leading global fashion company, with a passion for fashion, a belief in people and a desire to always exceed customers’ expectations” (ibid., p. 6). H&M is a values-based company and strives to create a uniform corporate culture across its global presence through the “H&M Spirit” and seven core values: belief in people; one team; entrepreneurial spirit; straightforwardness and open-mindedness; constant improvement; keeping it simple; and cost-consciousness. The key benefit of this values-based corporate culture is, according to the company, the creation and maintenance of an open, creative and dynamic workplace, where energy and commitment are generated daily, and where H&M colleagues globally can rely on each other’s capabilities and knowledge (ibid.). The word sustainability is used by H&M to describe all CSR activities in order to emphasize that economic, social and environmental responsibility are all key to the company’s continued success. Sustainability work has grown in importance over the past years, and today H&M treats its sustainability work as an integral part of business operations: “Sustainability work is not a separate activity – it is included in every aspect of the business” (ibid., p. 33).

4.1.3 Sustainability: Conscious Actions and Corporate Social Responsibility
In order to stress the importance of CSR, CEO Karl-Johan Persson states: “To us, quality means more than just ensuring that our garments meet our stringent requirements of function and safety. We also want our customers to feel confident that everything they buy from H&M is designed, manufactured and handled with consideration for people and the environment” (H&M Annual Report 2011 – H&M in words and pictures, p. 9). This understanding of CSR has driven H&M’s work for more than a decade: The first active efforts to improve sustainability in H&M’s supply
chain began with the implementation of the company’s code of conduct in 1997 (H&M Conscious Actions Sustainability Report 2013), and the corporation published its first annual CSR report in 2003. H&M structures its sustainability work around Conscious Actions defined as “everything we do for a more sustainable fashion future” (H&M Conscious Actions Sustainability Report 2013, p. 5). Hundreds of such actions are categorized in seven commitments: provide fashion for conscious customers; choose and reward responsible partners; be ethical; be climate smart; reduce, reuse and recycle; use natural resources responsibly; and strengthen communities. Following this framework, H&M identifies main stakeholders and maps key issues as well as ways to engage. Appendix E contains an overview of H&M’s main stakeholders.

With regard to the issue at hand, the key commitment is that to choose and reward responsible partners (Hanna Hallin, 23 May 2014). The rationale for this commitment is stated as follows: “In a globalized world, it is not a question for a company like ours whether to be present in emerging markets. It’s a matter of how we do it. We want to make sure that our presence results in better livelihoods for garment workers and positive development for their communities.” (H&M Conscious Actions Sustainability Report 2013, p. 21). As such, H&M takes the clear stance that unacceptable conditions in sourcing markets – including low wages and poor labor conditions – is not a reason for the company to leave the country or its suppliers in favor of other sourcing destinations: “The best way for the country [to develop] is for brands like H&M to stay” (Head of Social Sustainability, Anna Gedda in The Guardian 19 April 2014). Under the commitment to choose and reward responsible partners, H&M works on a long-term basis with its suppliers and grants the status of strategic partner to those suppliers who demonstrate the best sustainability performance in the company’s internal audit programme. These strategic partners are rewarded with better business, and the current 162 strategic partners today supply around 60 % of total garments (ibid.). In addition to this direct engagement with suppliers, H&M targets further efforts toward other aspect of supply chain sustainability. Clusters of Conscious Actions under this commitment pertain to fair living wages and good industrial relations. Each of these merit separate attention.
4.1.3.1 Fair Living Wages

In step with intensified public attention toward wage levels in the global textile industry, H&M has increased its focus on the issue. The corporation works in part toward achieving higher minimum wage levels regulated and revised regularly by national governments, in part toward promoting collective wage negotiations within the industry, and in part toward enabling individual factories to pay fair living wages to their workers despite the lack of formal regulations or collective agreements without jeopardizing businesses or jobs (H&M Conscious Actions Sustainability Report 2013). To this end, the company has developed a Roadmap to Fair Living Wages, detailing the combined efforts to contribute to higher wage levels in the industry.

**Figure 4.1.3.1: Roadmap to Fair Living Wages**

As outlined by this Roadmap, H&M combines a number of different actions in order to achieve the objective of fair living wages. Some of these actions entail internal changes to business practices, such as adapting purchasing practices with a view to reducing production peaks (which lead to
overtime and poor resource planning in factories) as well as paying prices for sourced garments which allow suppliers to pay their workers a fair living wage (ibid.). To this end, H&M will in 2014 establish two model factories in Bangladesh and one in Cambodia. For five years, H&M will source 100 % of the output from these factories and implement the Fair Wage Method, which stipulates 12 dimensions of a fair living wage, including that the wage must ensure minimum acceptable living standards; be comparable to similar workplaces in the same industry; be negotiated individually and collectively; and progress in proportion to price increases and change in work, skills or tasks (www.fair-wage.com). The goal is that this method proves successful in the model factories and may become scalable in the future (ibid.). Apart from such internal changes to business practice, the Roadmap requires H&M to work in close collaboration with other stakeholders, such as trade associations, NGOs, international organizations and labor unions. These stakeholder collaborations enable H&M to expand workers’ access to skills development and increase the company’s influence across the industry. Lastly, the Roadmap necessitates increased engagement with CA, inasmuch as “in order to ensure income equality and competition-neutral playing fields, the concerned governments need to strengthen the required legal frameworks such as regular wage revisions and functioning industrial relations” (H&M Conscious Actions Sustainability Report 2013, p. 35). H&M seeks to achieve this by setting an explicit CA plan to strategically engage with governments on wage issues (ibid.). An example of such engagement is the personal letter which H&M’s CEO Karl-Johan Persson sent to Bangladesh’s Prime Minister in connection with renegotiation of minimum wage levels in the sector. Without stipulating suggested minimum wage levels or similar, the letter addressed the importance of regular revisions of wages as well as the fair treatment of labor activists (Kakuli and Risberg 2012).

4.1.3.2 Industrial Relations

The focus on industrial relations is intimately tied to the issue of wage levels, insofar as collective bargaining is recognized as an important contributor to stable and sustainable economic growth in industries and countries. Industrial relations may be defined as formal, informal, direct or indirect
relations between employees and employers, typically through relations, bargaining and agreements between employers’ associations and labor unions. Of particular relevance to good industrial relations in the textile industry are two key questions: Are freedom of association and right to collective bargaining respected? And are the necessary structures for social dialogue in place?

**Figure 4.1.3.2: Good industrial relations**

Source: H&M Conscious Actions Sustainability Report 2013

The first question – whether freedom of association and right to collective bargaining are respected – is important because these freedoms and rights are stipulated in H&M’s code of conduct as well as in the United Nations Universal Declaration of Human Rights (www.un.org). Nonetheless, freedom of association is restricted by law in certain countries and limited in practice in other countries due to harassment, violence or threats. The second question – whether structures for social dialogue are in place – is key because negotiations may result in conflict even in places where unions do exist. Again, improving industrial relations is a task that requires engagement at multiple levels. H&M works with international organizations and local NGOs to educate workers
about their rights and freedoms and collaborates with factory owners with a view to improving democracy in the workplace. Audit programmes further evaluate the existence and independence of labor unions as well as the process and quality of collective agreements in factories and reward suppliers with high performance in these aspects (H&M Conscious Actions Sustainability Report). Nonetheless, ensuring good industrial relations also requires CA targeted at national governments. H&M’s efforts in this regard focus primarily on improving legislation to allow tripartite bargaining as well as ensuring peaceful conflict resolution in the event of unrest caused by negotiations (ibid.).

4.1.4 Corporate Advocacy Strategy

As is evident from the above, H&M engages explicitly with CA activities within several focus areas. According to Hanna Hallin, Public Policy Responsible at H&M, this increased focus on multiple areas of CA has developed in step with changing expectations on the part of stakeholders: “I would say, if you go ten years back, it would have been considered very controversial that foreign buyers should have a lot of opinions on how a country should be managed relating to these issues of social development. It was not much appreciated if [the] private sector should take part in development – corporations and such – and that changed a lot. Now there are very high expectations on foreign buyers to use their leverage in these situations.” (Hallin, 23 May 2014, min. 34:15). Strategically, H&M considers CA as one of four dimensions of stakeholder engagement. The first dimension is information, and engagement within this dimension focuses primarily on stakeholders which do not wish to establish a formal engagement with H&M (e.g. in order to maintain independence) or which are not believed to have valuable input to H&M’s operations. These stakeholders are nonetheless included in H&M’s stakeholder engagement framework with a view to providing them with correct and relevant information about the company’s activities. The second dimension, dialogue, pertains to receiving relevant input to current sustainability activities. Stakeholders in this category either have specific knowledge which is valuable to H&M or represent interest groups which influence or are influenced by the company’s work. Third, the collaboration dimension entails formalized engagement with chosen strategic partners in order to implement concrete programs in H&M’s supply chain or address relevant sustainability challenges.
Last, *advocacy* in this framework pertains to explicit attempts to influence both development and enforcement of public policy at the national level directly through engagement with policy makers or indirectly through engagement with policy drivers – i.e. actors who influence policy workers in their work (Hanna Hallin, 23 May 2014 and H&M 2013). As such, the company’s advocacy work must be seen within the framework of all stakeholder engagement activities.

### 4.1.5 Theoretical Classification of H&M’s Corporate Advocacy

Following this presentation of H&M, it is useful to classify the case company’s CSR and CA activities in Bangladesh following the eclectic framework developed in Chapter 2. Such classification may establish a useful overview of H&M’s efforts and provide clarity for the subsequent discussion of stakeholder perceptions of these efforts. Overall, H&M’s work can be placed at the level of ethical responsibility in the Pyramid of CSR inasmuch as the company’s efforts for increased wage levels and good industrial relations move beyond compliance with competitive pressures and legal requirements. Nonetheless, H&M also clearly conceptualizes its work as compliance with economic responsibilities by emphasizing the need to maintain business operations in the country. This commitment reflects a perception of these issues as market barriers which must be overcome from a business perspective. In H&M’s own words, “*when we decide what we do advocacy on, [...] it’s where we can see that there are obstacles [...] to our business and sustainability development*” (Hallin, 23 May 2014, min. 22:13). As demonstrated, H&M explicitly follows principles of stakeholder theory by engaging with numerous stakeholders. The company further seeks to internalize potential externalities, e.g. by continuously probing into how strategic goals pertaining to stakeholder engagement may have effects outside H&M’s immediate sphere of influence (Stellansson, 22 May 2014). Similarly, the establishment of model factories represents an attempt to internalize wage, labor conditions and industrial relations issues. The notion of transparency is key to H&M’s presence in Bangladesh and may be exemplified by the full disclosure of the corporation’s supplier list and the fact that yearly stakeholder plans are developed as shared strategies between H&M and its stakeholders (ibid.). With regard to corporate citizenship, H&M emphasizes the importance of respecting political independence: “*We can never*
be seen to overstep democratic boundaries. We can never be even perceived in a position where people might suspect that we are holding the government hostage and using money and business as leverage” (ibid., min. 00:55). The company’s CA work accordingly focuses on social rights – such as improved welfare through fair living wages – and civil rights – such as freedom of association and social dialogue. As such, H&M treats human rights issues as a key responsibility of governments and conceptualizes its corporate responsibility in this regard primarily as the responsibility to respect and protect human rights: “At the end of the day […] we’re responsible that our business does not contribute to violation in term of human rights. And if there are obstacles to ensuring that […] due to legislation or lacking law enforcement, then we […] need to put forward our concern to governments” (Hallin, 23 May 2014, min. 04:15). Nonetheless, there is a human rights promotion dimension evident inasmuch as H&M argues that “we can’t sit and wait for the government to come to the conclusion that they should have annual revisions of minimum wages. We want to make clear that we would support such a development” (ibid., min. 25:50). With reference to the matrix of public responsibility strategies, H&M’s activities represent different strategies. The company’s code of conduct is an example of the substitute strategy, inasmuch as it allows H&M to tap into the market opportunities of the country’s RMG industry while satisfying public needs in the form of labor practices and safety requirements. The code of conduct also encourages suppliers to become more socially and environmentally sustainable by offering better business to responsible suppliers. CA aimed at improving the political process of establishing and regularly revising fair minimum wages is an example of the support strategy inasmuch as this work does not directly relate to H&M’s business operations. Instead, it aims to build public capacity and ensure good governance for the industry and the national market in general. Finally, H&M follows the stimulate strategy in the bulk of its activities: The Roadmap to Fair Living Wages represents an innovative approach to improving public infrastructure and welfare by establishing intimate and long-term relationships with suppliers and implementing alternative purchasing practices, and efforts to improve industrial relations and social dialogue through close collaboration with global and local stakeholders entails a pioneering approach to improving social coherence and peaceful
conflict resolution. The influence of institutional structures for H&M’s CA activities merits separate attention and is covered below.

4.1.6 Institutional Incentive Structures

In sum, H&M’s history, corporate identity, and organizational culture may be seen as a structural backdrop shaping sustainability and CA activities in the company. Particularly, the company’s strong adherence to a values-based business culture – such as belief in people; one team; entrepreneurial spirit; and constant improvements – may be understood a normative institution governing the conceptualization of corporate responsibility. These values may have explanatory power for H&M’s holistic and business-sensitive approach to political, social and environmental issues and the continued commitment to protection of human rights, long-term strategies for sustainable change, and collaboration with stakeholders for industry-wide solutions (Hanna Hallin, 23 May 2014). In addition, the Swedish national business system may provide institutional incentives for H&M’s sustainability work. Tengblad and Ohlsson (2010) note that the private sector in Sweden has a tradition for intimate and constructive relations with the state and relatively close ties with the banking sector. These connections between actors in the Swedish business system entails, among other things, that corporate actors are accustomed to participating in the political process and are taken into account in relation to official CSR regulation. Similarly, Swedish companies were comparatively quick to consider non-Swedish issues in their corporate responsibility strategies. Several Swedish companies began communicating international CSR issues externally from the late 1990s, and by 2006 Tengblad and Ohlsson detect that “statements on corporate responsibility [have] become institutionalized” (ibid., p. 663). Sanandaji (2912) further argues that culture has important implications for business activity and performance. Sweden, and Northern Europe in general, is characterized by highly homogenous populations with strong adherence to societal values such as trustworthiness, strong work ethics and individual responsibility for the welfare of oneself and others (ibid.). These characteristics of culture function as normative institutions and thus influence conceptualizations and actions in regard to the political, social and environmental responsibility of corporations. Consequently, it may be argued
that the Swedish national business system as well as informal institutions, such as culture, complements H&M’s company history and organizational culture in creating institutional incentive structures for a long-term CSR strategy which is holistic, human rights driven, and business sensitive. This may also be the case for Swedish and, to some extent, other Scandinavian and European stakeholders.

4.2 Bangladesh

4.2.1 History

The Bengal province that constitutes Bangladesh territory today was first integrated into international economic and political systems with the arrival of the British East India Company in the early 1600s. As industrialization took flight in the West, the British primarily purchased agricultural produce from East India, undermining the existing artisan economy. Products such as cotton and jute where exported cheaply, manufactured in the West, and re-imported as cloth and rope in the Bengal province at a much higher cost to local consumers (Lewis 2011). Consequently, the years of British colonial rule contributed little to the expansion of an efficient and sophisticated home market. Similarly, the early colonial period saw little institutional development, chiefly because the East India Company – which had been granted trade monopoly in the region by the British government – had little incentive to build political structures. During the latter half of the 1850s, the British government reclaimed control over the region from the East India Company, and Bangladesh began to experience limited systems of local governance. This happened in part due to local grassroots pressures for influence and in part due to the changing trend in British politics toward a favorable view of home rule in British colonies. However inefficient, these systems laid the foundation for institution building in Bangladesh (ibid.).

Upon gaining liberation in 1947, political and religious forces split the region into India, a predominantly Hindu nation, and Pakistan, which was predominantly Muslim. In effect, Pakistan was divided into West Pakistan and East Pakistan (today Bangladesh) – two provinces of
approximately equal population entirely separated by Indian territory (ibid.). As a consequence of the trade patterns during colonial rule; uneven distribution of resources; and unfavorable trade and financial policies during Pakistani rule, East Pakistan was left in relative deprivation with regard to infrastructure, resources and industrial capacity. Following more than two decades of internal tension and months of violent confrontation, where at least a million Bengalis are estimated killed, Bangladesh emerged as an independent country in 1971. Since then, the country has received substantial development aid and is regarded as a “quintessential developing country” (ibid., p. 17). International perceptions of Bangladesh’s development potential have shifted between pessimistic and optimistic, as the country has passed, in turn, through market liberalization, economic setbacks, political conflicts, improving social welfare and human rights indicators, and extreme weather events. Today, Bangladesh is a low-income country displaying promising progress with respect to the UN Millennium Development Goals and stable economic performance with a current 5.7% growth rate projected at 6.1% in 2015 (www.data.worldbank.org/country/bangladesh).

4.2.2 Political Framework

Since independence from Pakistan in 1971, Bangladeshi governments have struggled to restore law and order, build strong and efficient public institutions, and balance political interests through democratic relationships (Lewis 2011) despite military interventions and periods of authoritarian rule. Today, Bangladesh is a multiparty democracy with a five-year election cycle and two large opposing parties, the Bangladesh Awami League (AL) and the Bangladesh National Party (BNP), dominating the political spectrum (Berg, et al. 2011). The political process is highly antagonistic, and sound democratic processes and institutionalization of a viable of parliamentary governance system have been difficult to implement (Lewis 2011). Additionally, Bangladeshis face increasing deterioration of law and order and general lack of security because, although regulation may be in place, law enforcement is weak and deliberate non-compliance is commonplace (ibid.) Patron-client relationships (described in more detail below) further influence political activities at all levels and lead to a personalized and largely repressive political system (ibid.), where corruption is endemic and clientelism governs all social interaction and access to public services.
The political process is thus largely characterized by the notion that Bangladesh is “a weak state within a strong civil society” (Lewis 2011, p. 103) inasmuch as the institutional state apparatus is in a weak position to counter the strong political interests residing within different factions of society. This entails that public institutions and governance mechanisms remain captured by narrow elite interests which tend to “favor private gain over public interest” (ibid., p. 40). In practice, the results are that citizen accountability is weak; social service provision is limited and of poor quality; lacking taxation inhibits the mobilization of local resources; and an independent judiciary is of yet nonexistent. These issues of governance have caught the attention of the international community in recent years, and aid resources are being shifted away from poverty reduction toward improving transparency and accountability in the political process in order to overcome clientelism and corruption (ibid.). The shift in focus highlights the notion that poor governance is no longer seen as a regulatory issue which can be overcome through better legislation and enforcement. Rather, it is regarded as a structural issue which must be dealt with through a wider approach, which takes into regard its social embeddedness within the forces which shape the distribution of influence and power in society.

4.2.3 People, Culture and Tradition

With three-quarters of the population living outside the bigger cities, Bangladesh is a predominantly rural society. The vast majority (approximately 90%) of the population is Muslim – mainly Sunni – and religion is a critical aspect of Bangladeshi identity. Despite the existence of other religious minorities, “the dominance of a relatively well-defined Bengali ethnic and linguistic group provides the country with a strong level of social cohesiveness” (Lewis 2011, p. 27). Rural and village institutions play an important role in the daily lives of many people, with lineage groups, patron-client relationships, and village tribunals governing the organization of labor, distribution of resources, protection of social security, systems of reciprocity, and moral order. These traditional micro-level institutions are subject to influence in the form of expanding market forces and increasingly formal administrative structures, and Bangladeshi society is arguably undergoing a
process of institutional transitioning whereby some traditional institutions are rendered obsolete while others continue to influence daily interaction and indeed shape the integration of new institutional norms (ibid.). One persistent institution is the patron-client relationship defined as “a reciprocity of exchange based on unequal rank with three important characteristics: economic structures of exploitation, political structures of domination and ideological structures of consensus and control” (ibid., p. 22). Patronage penetrates all aspects of social interaction in Bangladesh and is reinforced by a number of political and economic components including social protection, access to medical treatment, and job opportunities. While patronage arguably contributes to social cohesion and stabilizes cognitive frameworks for the lives of large parts of the population, it also leads to corruption, clientelism and low levels of trust in society, and it directly impedes the emergence of collective action, stable public institutions and socioeconomic equality (ibid.). The reliance on informal institutions for the protection of social security, provision of public services and access to resources entails high levels of uncertainty and dependence on middlemen to reduce vulnerability, which leads to significantly higher costs of living incurred by the poorest, because this group faces the most obstacles in accessing formal institutions. Informal costs of this sort include, but are not limited to, transportation and waiting time, intermediary fees, bribes, and violence (ibid.). Nonetheless, social cohesiveness in Bangladesh is a formula of kinship loyalties and patronage relationships, and associational life is a key aspect of social life for many Bangladeshis (ibid.).

As noted, much of Bangladesh’s political, economic and social development stems from the massive presence of Western NGOs and aid organizations throughout its history. Bangladeshi growth can – to some extent – be characterized as outsider-led inasmuch as the international development community has heavily influenced the what, where and how of development through direct and indirect intervention (Lewis 2011). This extensive reliance on donor aid has become a defining cognitive framework through which most in the international community has come to understand Bangladesh, although inflows have significantly decreased in recent years (ibid.). In step with this cognitive framework, Bangladeshis are arguably accustomed to foreign interference
with domestic policy. According to Lewis (2011), this had led to “ambiguous – and at worst sometimes outright hostile” (p. 39) attitudes toward foreign influence in general and aid in particular. The direct effects of this attitude on the perceived legitimacy of foreign companies influencing the policy-making process remains to be explored.

4.2.4 Civil Society and the NGO Sector

Lewis (2011) defines civil society as “the organized sphere of citizen activity beyond the state, market and household” (p. 125). Bangladesh is internationally renowned for the size and sophistication of its civil society sector in the form of non-governmental organizations (NGOs), the vast majority of which have a development focus. This may be attributed to a number of historical factors including a longstanding tradition of voluntarism; extensive inflows of foreign aid earmarked to development activities; and the weakness of regulatory institutions necessitating extra-governmental public service provision (ibid.). Although many NGOs can trace their existence to international agencies, the sector today is highly indigenous, and several influential NGOs are homegrown. A potentially negative consequence of the extensiveness of the NGO sector is that the responsibility for public service provision of outsourced from the state to private actors, thus running the risk of legitimizing government failure to provide these services. Some scholars even note the emergence of a “parallel state” (ibid., p. 109), a notion which is supported by the World Bank estimation that 20-35 % of the population receives services – most commonly microcredit, health or education – from an NGO. Micro loans alone are extended to an estimated 16.4 million Bangladeshis (ibid.), and the RMG industry alone overflows with NGOs offering health, education and social security services to female garment workers who cannot access these services through formal channels. Nonetheless, civil society actors clearly also have an important public policy role and contribute actively to nation building in the country. The history of many NGOs in Bangladesh includes partnerships and collaborations with both international development agencies and national government institutions, and from the mid-1990s, non-state development actors have increasingly turned their attention toward governance and transparency deficits in the political process and taken a distinctive rights-based approach to development and political participation.
Similarly, a number of organizations act as watchdogs, ensuring that both governments and private business actors operate within their legal and ethical bounds (ibid.). This shift entails a proactive attempt to politicize NGO work and build institutional capacity in the public sector, and it embraces the fact that globalization has led to a situation where “NGOs have become major institutional actors alongside the state and the business sector” (ibid., p. 129).

4.2.5 Economic Framework

From an unsophisticated rural economy in 1971, Bangladesh underwent gradual industrialization during the 1980s, when the implementation of the New Industrial Policy in 1982 and the Revised Industrial Policy in 1986 began to bring Bangladesh closer to the idea of market liberalization and structural adjustment preferred by Western aid donors and potential trade partners (Lewis 2011). From the second half of the 1990s, Bangladesh began to experience the effects of globalization in earnest. Policies were put in place to continue the country’s integration into the global market system, and building a relationship with the US became key to foreign policy. Simultaneously, Bangladeshis increasingly migrated to other countries in the region – particularly India and the Gulf states – to work in extraction and construction. Remittances soon became an important contributor to GDP and continue to be so today (ibid.). Due to the sheer mass of aid inflows, international donors have had substantial political influence over this market liberalization and globalization process. While some in the country have welcomed the reorientation of the economy toward liberal trade and international competitiveness, others have argued that such outsider-led development has resulted in a “crisis of foreign dependence” (Sobhan in Lewis 2011, p. 37) in which the emergence of domestic capitalism was inhibited and policy makers were disempowered. Nonetheless, many international scholars characterize Bangladesh as a “reluctant liberalizer” inasmuch as market liberalization reforms have unfolded gradually following an uncoordinated pattern differing substantially between sectors (Lewis 2011). The Bangladeshi economy continues to be primarily agrarian, but the agribusiness sector has partly shifted away from low value-added cotton and jute production toward rice, wheat, sugar cane and potato as subsistence and cash crops (Lewis 2011). Parallel to agribusiness, Bangladesh has developed a number of untraditional
export-led industries, of which the most important in terms of economic contribution is the RMG industry.

4.2.5.1 The Ready-Made Garments Industry

The emergence in the early 1990s of the industrial sector producing garments for export to predominantly Western buyers has been heralded as "the most remarkable economic development of Bangladesh in the past two decades" (Kockanek in Lewis 2011, p. 23). As early as the late 1970s, Bangladesh began limited production of RMG for export under the Multi-Fibre Arrangement (MFA), which allowed the sector to expand its production base under strict export quotas enabling Bangladesh to catch up with its main competitors in low-cost clothing production (Lewis 2011). Another significant contributor to the rise of the industry has been the persistently low wage level in Bangladesh, which has allowed the industry to produce garments at 30-100% lower prices than its Chinese and South Korean counterparts (ibid.). The final factor for the continued competitiveness of the industry is the favorable domestic political environment. Trade liberalization enabling access to credit and production facilities as well as the establishment of export-processing zones (EPZs) in Dhaka and Chittagong have provided RMG producers with important competitive advantages in the international market. In 2011, the sector exported garments, primarily to Europe and the United States, constituting 75% of total exports and contributing with 13% of GDP (Berg, et al. 2011).

The socioeconomic impacts of the RMG industry are mixed. The industry employs more than 3.6 million workers, of which approximately 80% are female (Ahamed 2012), and related industries such as transport, banking and insurance employ many more (Lewis 2011). Particularly for women, the sector provides access to the formal labor market, which has previously been prohibited for women due to cultural and religious traditions, and allows them to challenge patriarchal norms through increased empowerment (Kabeer 2013). As many workers in the RMG industry are recruited amongst rural villagers, employment also represents the opportunity to learn a set of skills and remit economic contributions to their poorer rural households (Lewis 2011).
However, RMG workers often face poor working conditions. Factories are often set up in buildings which do not comply with the minimum standards of legislation, and as a result, emergency exits are few and often blocked, ventilation and air quality are poor, and production areas are overcrowded (Ahamed 2012). Similarly, rural people who migrate to work in RMG factories in EPZs often live in utter deprivation, as they gather in shanty towns with poor access to water, hygiene, infrastructure and personal security (Kakuli and Risberg 2012). With regard to labor rights, Bangladeshi RMG workers face dire conditions. Wages are notoriously low, and while this contributes to the sector’s competitiveness in the export market, it hampers the potential for poverty alleviation and economic opportunity for workers. The government did not raise minimum wages in the period 2006-2010 (Berg, et al. 2011), and even with the current minimum wage of US$68 per month (Clean Clothes Campaign 2013), workers, NGOs and labor organizations are talking of exploitive and sub-living wages. As Bangladesh is a member country of the International Labor Organization (ILO), it is required to ensure a number of labor rights pertaining to regular work hours and overtime, annual, casual and maternity leave, reasonable and timely remuneration, and freedom of association (Ahamed 2012). In practice, however, workers are often poorly educated and have little knowledge of their rights and freedoms in regard to human, social and labor rights (ibid.), and even when attempts at forming labor unions or other employee associations appear, these are commonly met by violent opposition by factory owners and managers (Kakuli and Risberg 2012). As such, the sector is a striking example of the difficult trade-off between increased global market integration through exports and ensuring the livelihoods of the country’s poor, and many have cried for the intervention of international stakeholders in order to improve conditions (Berg, et al. 2011, Kakuli and Risberg 2012).

One initiative, which emerged in response to cries for intervention in the wake of the collapse of Rana Plaza, is the Accord on Fire and Building Safety in Bangladesh. Signed by more than 150 corporations, labor unions, and NGOs, the Accord stipulates regular inspections of RMG factories over a five-year period and allocates some financial resources to rectification in factories which do not live up to the Accord’s safety requirements (www.bangladeshaccord.org). Although such
initiatives may lead to safer workspaces, some stakeholders are pointing to negative consequences. For example, garment producers complain that inspections have become so frequent as to negatively affect the competitiveness of the industry (The Economist, 24 April 2014). The number of inspections has risen by 70% in the first quarter of 2014 compared to 57% in Vietnam, 32% in Cambodia and 22% in Indonesia (ibid.). As the total cost of making all RMG factories in Bangladesh safe is an estimated US$3 billion (ibid.), employers attempt to cut production costs where they can – mainly by squeezing salaries and pushing up production quotas. Issues such as this illustrate the interrelated complexity of the challenges which the industry faces.

In step with cries for intervention, the industry regularly experiences strikes and demonstrations pertaining to demands for higher minimum wages and the opportunity for garment workers to earn a fair living wage (Berg et al. 2011, Lewis 2011, Kakuli and Risberg 2012). Minimum wages in the industry are stipulated by the Ministry of Labor and Employment while actual wage levels are the result of negotiations between trade associations and labor unions within the industry (H&M Conscious Actions Sustainability Report 2013). As such, the issue of wage levels is highly politicized, and corporate actors have been hesitant to become involved with this process. Similarly, as will be demonstrated shortly, stakeholder views on the appropriateness of doing so vary.

4.2.6 Institutional Incentive Structures

As illustrated by the above, a number of formal and informal institutions have shaped the development and performance of the Bangladeshi RMG industry. Formal structures such as industrial development, economic liberalization and labor market legislation have ensured the competitiveness of the industry while informal institutions pertaining to social hierarchy, religious traditions and patron-client relationships influence how individuals and organizations participate and interact within the industry. These institutional incentive structures may also be valuable to the understanding of stakeholder perceptions. Due to the country’s history of aid dependency and
substantial foreign involvement, Bangladeshi stakeholders may be expected to demonstrate more
critical conceptualizations of the responsibility of Western buyers in relation to wages and industrial
relations in the country’s RMG industry. For example, Bangladeshi stakeholders may be more
adverse to CA in general – or certain methods or focus areas of CA – inasmuch as such activities
are an explicit attempt to influence the political process. Conversely, traditions of hierarchy and
patron-client relationships may entail that Bangladeshi stakeholders are less critical toward power
dynamics and find the exercise of economic influence as political leverage relatively more
legitimate than Western counterparts. Similarly, the persistent weakness of formal institutions for
good governance and effective law enforcement has traditionally caused relative openness to
involvement of non-governmental actors in the political process. As noted, lineage groups and
village tribunals govern village life, and NGOs not only provide public goods but also increasingly
participate in the political process. As such, the interference of Western buyers – possibly in
collaboration with labor activists, local NGOs, and international agencies – in issues pertaining to
wage levels and industrial relations may be accepted by Bangladeshi stakeholders. Nonetheless,
stakeholder incentives also differ within Bangladesh, and there is a strong likelihood that factory
owners, trade associations and government officials may perceive CA activities as disruptive to the
clientelist or corrupt relationships which may exist between them.

4.3 Stakeholder Perceptions

With the institutional context for both H&M and Bangladesh in place, the following paragraphs
present the findings of the interviews with selected stakeholders and analyze these with reference
to the eclectic theoretical framework. It should be noted that the interviews focused both on H&M in
particular and the industry in general. As such, the findings presented below often pertain to
general observations, expectations and perceptions rather than to H&M specifically. Nonetheless,
these findings provide an in-depth understanding of variations in conceptualizations of what
constitutes legitimate CA and will thus be valuable for the case in question. These variations are
discussed with reference to their structural context in Chapter 5.
4.3.1 The Pyramid of Corporate Social Responsibility

There is a clear indication from the data set that stakeholders expect multinationals to operate at the ethical level of the Pyramid of CSR. This entails that corporations live up to the expectations of local and global actors such as governments, NGOs, labor unions, and employers; take a moral standpoint with regard to fair business practices and the welfare or workers; and live up to their word by complying with individually formulated codes of conduct and multi-stakeholder agreements. Viveka Risberg of Swedwatch notes that some companies attempt to distract critical stakeholders through displays of philanthropic initiatives and argues that such activities are not sufficient responses to the issues in the industry. Instead, business must focus on the direct impact of their operations. Similarly, Monika Kemperle of IndustriAll and labor activist Nazma Akter agree that although a primary condition for sourcing RMG from Bangladesh is compliance with the legal framework, there is a need to move beyond such compliance due to poor legislation, weak enforcement and extensive bureaucracy. Despite this broad emphasis on ethical responsibilities, there is also a recurring trend pertaining to the economic responsibilities of Western buyers in the industry. Kemperle explains how IndustriAll strives to align workers' interests with the capital interests of buyers through international dialogue and campaigning, and Akter notes that fair business practices should also be regarded as more commercially sustainable in the long term. The reasoning behind such statements is that companies first and foremost have economic responsibilities and interests which – should and do – guide their business activities. Kemperle emphasizes the importance of economic responsibilities with reference to the protection of jobs, and Risberg focuses on the overall welfare consequences if Western buyers were to leave the Bangladeshi market in response to the issues in the RMG industry. Lastly, Kamruzzaman of the Embassy of Bangladesh in Stockholm argues that any solutions to these issues must take into account the competitiveness of the industry. Kamruzzaman's statement, however, diverges from those of the remaining stakeholders inasmuch as he argues that one cannot expect more from private corporations than that they respect the economic and legal requirements of the market. As such – while the adoption of ethical responsibilities on the part of Western buyers is desirable –
multinationals will go where profit margins are largest, and this fact should guide all activities aimed toward improving wage levels and industrial relations in the industry.

4.3.2 Stakeholder Theory

The interviewed stakeholders broadly agree on the importance of multi-stakeholder engagement for the improvement of wage levels and industrial relations in Bangladesh’s RMG industry. There is a general perception that no actor can achieve notable change without collaboration with others, although opinions of the manner and degree of such collaboration differ across the data set. In particular, Swedwatch, Clean Clothes Campaign Norway (CCC Norway) and IndustriAll emphasize the need to collaborate relatively closely with multinational corporations in order to access knowledge and information; influence corporate actors at the senior management level; obtain valuable resources for carrying out campaigns; and increase the pressure on national governments. Nonetheless, such collaborations also entail risks pertaining to organizational independence and integrity as well as limited agility due to more complex decision-making processes. Regardless of such risks, it is clear that these organizations highly value multi-stakeholder initiatives which engage economic, political and social actors across the industry. In particular, Carin Leffler of CCC Norway and Monika Kemperle of IndustriAll both mention the Accord on Fire and Building Safety in Bangladesh as a groundbreaking multi-stakeholder initiative whereby multinationals sourcing from the country have recognized in earnest the need for action beyond discrete CSR activities. Labor activist Nazma Akter takes a different approach to stakeholder engagement inasmuch as she regards dialogue with local and international stakeholders as a tool for global public awareness. She stresses the difficulty of engaging local stakeholders – particularly factory owners and government officials – in dialogue and collaboration and instead focuses her efforts on global corporations, labor unions and campaign organizations. Mr. Kamruzzaman of the Embassy similarly supports the notion of stakeholder collaboration for sustainable change but stresses the importance of inter-company collaboration over multi-stakeholder engagement across the industry. Akter shares this notion and agrees with Kamruzzaman that corporations must work together in order to align requirements and standards.
in their codes of conduct as well as implement alternative purchasing strategies which raise the price of each item procured from Bangladeshi manufacturers. While Kamruzzaman notes that such alignment of requirements, standards and strategies must be made with careful consideration for the competitiveness of the industry, Akter argues for alignment which takes into consideration the health and welfare needs of workers.

The preference for inter-company collaboration resonates well with a general trend among the interviewed stakeholders of believing that corporations should take more direct action to address issues of wage levels, labor standards and industrial relations as externalities which may be internalized through alternative business practices. In the words of Carin Leffler of CCC Norway, “companies should do, really, their uttermost, not only to push for an increase in the minimum wage [...] but also to push for an increase in the wages in the factories where they operate [...] to show that they are willing to pay the price which is needed to increase the salaries” (Leffler, 14 July 2014, min. 23:43). The call for corporations to demonstrate their willingness to pay the necessary cost for sustainable change is repeated by all the interviewed stakeholders, indicating that internalization of long-term corporate effects is a crucial point for stakeholders. Similar emphasis is placed on the topic of transparency, inasmuch as Akter, Risberg and Leffler all directly address the importance of corporate openness regarding supplier lists, audit reports and pricing strategies.

4.3.3 Corporate Advocacy Advertising

The three relationships governing stakeholder perceptions of legitimate CA according to advocacy advertising literature – self-issue, issue-organization, and organization-self relationships – vary somewhat between the interviewed stakeholders. With respect to the self-issue relationship, the data set naturally reveals perceptions of strong relationships between the interviewees and the issue at hand. The Embassy of Bangladesh in Stockholm views the issue in terms of its potential consequences for the competitiveness of one of the country’s most lucrative industries and as a potential threat to international commercial and political relations. The Embassy, however, does not identify itself as a direct driver of change in the industry but rather monitors public discourse in
order to provide its national government with information. Swedwatch conceptualizes its role vis-à-vis the issue through its research mandate. The organization compiles and analyzes information through its global network and uses this research to develop relatively close ties with Swedish businesses in a capacity which resembles that of an external consultant. CCC Norway, IndustriAll and Nazma Akter express closer relationships to the issue through their direct or indirect representation of RMG workers. IndustriAll – as a global labor union – has a clear mandate to engage with the issue, which directly affects the organization’s Bangladeshi affiliates and their individual members. CCC Norway similarly represents workers’ interests through various stakeholder collaborations and campaigns at the global level and conceptualizes its mandate through its vast network of labor unions, NGOs and corporations. Akter has a more direct relationship with the issue: “I myself have been working in the factory when I was 11 years old. I lived with my mother, and I went to work for seven years in the factory. […] That is my mandate to ensure workers rights and safe work places in the RMG sector” (Akter, 27 June 2014, min. 02:06).

The issue-organization relationship is characterized as logical and direct, although stakeholder perceptions vary to some extent. There is overall agreement that H&M as a corporate actor has a logical connection to wage and industrial relations issues in the industry and further possess important knowledge, experience and resources to engage with the issue. Viveka Risberg of Swedwatch characterizes multinationals as “economic superpowers”, and Monika Kemperle of IndustriAll notes that corporations have long-term incentives to engage with the issue in order to ensure stable and qualitative sourcing markets in the future. Nonetheless, there is general concern across the data set that Western buyers tend to treat their CSR and CA activities as public relations activities or branding tools rather than engaging with the issue because of a true devotion to public welfare. Mr. Kamruzzaman of the Embassy argues that corporations are first and foremost driven by profit motives, and Akter points to the vast financial resources allocated to events, campaigns and short-term projects. Her argument is that, while they may increase public awareness of the issue and its potential solutions, workers experience little direct gain from these activities. Similarly, Monika Kemperle of IndustriAll experience that issues relating directly to the
welfare of workers often disappear in the background in favor of approaches which are more suitable for public relations and branding purposes, and Carin Leffler of CCC Norway states that "in general, the brands move when they are pushed [...] My experience is that they don’t move very quickly unless they are pushed" (Leffler, 14 July 2014, min. 16:25). It should be noted, however, that some stakeholders have a somewhat more positive perception of H&M in particular. Kemperle notes that IndustriAll has had positive experiences with H&M, when the global unions has needed corporate support in order to increase pressure on local stakeholders in Bangladesh, and Risberg describes the company’s efforts as having developed significantly from a narrow-minded approach focused on factory monitoring and regular audits toward a sector-wide effort which acknowledges CSR as a political activity.

The interviewed stakeholders differ more markedly with regard to the organization-self relationship. Mr. Kamruzzaman of the Embassy identifies a lack of mutual understanding between private actors in the market and the government institutions regulating that market. As such, he does not perceive multinationals to share the government’s understanding of the Bangladeshi RMG industry in its international competitive context nor in relation to domestic conditions pertaining to political stability and social welfare. Kamruzzaman notes the importance of addressing structures in order to ensure sustainable change in the industry, but he remains unclear as to how corporations themselves may address these structures in a proper way. Nazma Akter is more optimistic about her relationship with private companies. As noted above, Akter relies on global actors – including corporations – to raise public awareness and increase the pressure on national stakeholders, and she believes that successful collaboration with multinationals can be achieved and may lead to improved conditions for workers. CCC Norway and IndustriAll are very similar in their approach to the organization-self relationship inasmuch as they both express clear benefits of engaging in dialogue and collaboration with Western buyers (as noted above). Nonetheless, both organizations maintain a critical stance toward their interaction with these buyers. Leffler of CCC Norway argues that corporations are reluctant to engage with social and political issues in their sourcing markets unless they are pushed to do so, and Kemperle of IndustriAll states that a key task for the
organization is to continuously persuade multinationals to maintain their focus on labor standards and unionism. Kemperle also expresses how she experiences differences between brands. While H&M and the Spanish retailer Inditex eagerly engage in dialogue with IndustriAll, the American retailer Wal-Mart has proved exceedingly reluctant to do so. Similarly, Risberg of Swedwatch explains that – although the organization has relatively close relationships with Swedish business actors in order to access information, influence senior management, and share best practices – Swedwatch is careful to remain an independent research organization. According to Risberg, “this is a democratic problem […]. We have an imbalance here that is threatening democracy. […] That is why I think it is really important that [multinational companies] are scrutinized by independent actors, like ourselves or NGOs or the media” (Risberg, 10 June 2014, min. 34:33).

As demonstrated, the data set identifies relatively positive perceptions among the interviewed stakeholders with respect to CA activities as legitimate corporate behavior. The table below provides a summary of stakeholder perceptions with regard to the issue of wage levels, labor standards and industrial relations in Bangladesh’s RMG industry.

**Figure 4.3.3: Stakeholder Perceptions of Corporate Advocacy Advertising**

<table>
<thead>
<tr>
<th></th>
<th>Self – Issue</th>
<th>Issue – Organization</th>
<th>Organization – Self</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Swedwatch</strong></td>
<td>Strong, indirect</td>
<td>Strong, logical</td>
<td>Strong, somewhat critical</td>
</tr>
<tr>
<td><strong>IndustriAll</strong></td>
<td>Strong, direct</td>
<td>Strong, logical</td>
<td>Somewhat strong, critical</td>
</tr>
<tr>
<td><strong>CCC Norway</strong></td>
<td>Strong, direct</td>
<td>Strong, logical</td>
<td>Somewhat strong, critical</td>
</tr>
<tr>
<td><strong>Embassy of Bangladesh in Stockholm</strong></td>
<td>Strong, indirect</td>
<td>Somewhat weak, logical</td>
<td>Weak, critical</td>
</tr>
<tr>
<td><strong>Nazma Akter</strong></td>
<td>Strong, direct</td>
<td>Somewhat strong, logical</td>
<td>Somewhat strong, somewhat critical</td>
</tr>
</tbody>
</table>
4.3.4 Political CSR and Corporate Citizenship

The general notion that multinationals have an explicit political role in the improvement of wage levels and industrial relations in the RMG industry in Bangladesh finds mixed support in the data set. As noted in the above, Viveka Risberg of Swedwatch identifies a democratic deficit inasmuch as multinationals are increasingly free from government scrutiny due to deterritorialization of business activities, and several stakeholders – including IndustriAll and Nazma Akter – comment on the public responsibility deficit resulting from weak government structures, high levels of corruption, and vulnerability to fierce foreign competition to the country’s RMG industry. With a view to overcoming these deficits, Risberg argues for the importance of regarding CSR as a political activity. As such, CA is an important tool for overcoming institutional barriers and drive positive change at a structural and industry-wide level. However, several stakeholders express favorable perceptions of corporate responsibility work relating to the role of the company vis-à-vis individual factories, grassroots-level organizations and internal business practices rather than advocacy work aimed at the political process. This entails that corporations should, according to several of the stakeholders, comply with rules, agreements and expectations regarding the respect for human rights in a general sense and focus its efforts to promote and realize human rights on the de facto conditions in the factories where they source from. For IndustriAll and CCC Norway, this emphasis relates particularly to the opinion that multinationals should ensure freedom of association and directly prevent “union busting” through supplier contracts and codes of conduct. For Swedwatch, the focus on the factory level is more intimately connected with the notion of democratic deficits inasmuch as Risberg expresses a perception that self-regulation in terms of labor conditions, pricing strategies, and social and environmental impacts is one way to increase democratic accountability.

With regard to rights protection, the interviewed stakeholders share a common notion that corporations are first and foremost responsible for the protection of social rights such as fair living wages, acceptable labor standards and proper heath and safety conditions. IndustriAll and CCC Norway endorse corporate protection of civil rights by arguing that Western buyers have a clear
responsibility to support and enable the establishment of labor unions and seek to protect them from harassment, threats or closure by factory owners. Although Risberg of Swedwatch agrees to the importance of the existence, functionality and independence of local labor unions, she explicitly opposes corporate promotion of unions. From an ethical point of view, she argues, multinationals may engage with factory owners and workers in order to inform both parties of their rights and train them in social dialogue, but direct promotion of unionism entails overstepping the mandate of the private company. Nazma Akter, on the other hand, argues that Western buyers are – by extension – employers of the industry’s workers and thus have a responsibility to assist in the establishment of unions and other workers’ association. For Akter, the business mandate to do so is intimately related to her perception that corporations have a responsibility to protect social rights, inasmuch as she regards unionism as the most efficient way to improve workers’ health, empowerment and collective bargaining power. Lastly, for most of the stakeholders, the protection of political rights is not a direct responsibility of corporations. In the words of Risberg, “the state has a really defined duty to protect human rights and a duty to deliver services to the people – that is not the companies’ duty” (Risberg, 10 June 2014, min. 36:19). As such, the notion of silent complicity does not seem to be an immediate concern to the interviewed stakeholders in connection with the issue at hand.

A classification of stakeholder perceptions according to the matrix of public responsibility strategies reveals limited support for the supplement and support strategies. Akter – alone among the interviewed stakeholders – argues for the supplement strategy to a certain extent by emphasizing that corporations have an ethical responsibility to ensure the health and welfare of RMG workers. This entails that corporations should provide health care facilities and other benefits beyond what lies within core business operations. Similarly, Risberg is the only stakeholder who expresses the perception that corporations should follow the support strategy by engaging with the political process concerning labor standards or social protection although these issues may not be immediately compatible with core business operations. This argument is related to Risberg’s perception that public responsibility deficits occur and must be addressed by economically (and,
thus, politically) powerful companies. The substitute strategy finds more support across the data set, inasmuch as CCC Norway, IndustriAll and Akter all express opinions that Western buyers can and should provide public goods directly through their core operations. Leffler notes how CCC Norway structures its assessment of and dialogues with corporations around the corporations’ own codes of conduct and other internal guidelines. The key focus is thus whether these codes comply with global and local expectations and – more importantly – whether they are implemented and respected on the factory floor. Similarly, Kemperle of IndustriAll explains how labor conditions improve in a sustainable way when their improvement is intimately connected with the business interests of multinationals. Finally, there is overall support for the stimulate strategy among the interviewed stakeholders. Such support is expressed through perceptions that corporations should demonstrate their dedication to sustainable change in the industry by taking on the bulk of the economic cost of such change. The stakeholders mention the Accord on Fire and Building Safety in Bangladesh as well as H&M’s implementation of the Fair Wage Model in three model factories as examples of innovative strategies for stimulating public infrastructure and social coherence through core business operations.
5. DISCUSSION

Chapter 4 presented an analysis of institutional structures relating to H&M’s CSR and CA activities as well as Bangladesh in general and the country’s RMG industry in particular. The chapter further answered the how aspect of the research question through an analysis of stakeholder perceptions of legitimate CA following the eclectic theoretical framework. In turn, Chapter 5 now turns to the why aspect of the research question through a discussion of the extent to which the uncovered stakeholder perceptions may be explained with reference to the identified institutional context in which they occur. It should be noted that this discussion of institutional incentive structures is based on the same data set as the preceding paragraphs and as such provides limited empirical evidence from which to draw conclusions. In particular, while five stakeholder interviews may be sufficient to uncover trends and conflicts in conceptualizations of legitimate CA, a data set of this size may prove insufficient for uncovering institutional motivations inasmuch as Western institutional structures are discussed with reference to only three stakeholders and Bangladeshi institutional structures with reference to only two. The practical and academic implications of this were outlined in Chapter 3 and are discussed in Chapter 7.

5.1 Stakeholder Perceptions and Western Institutional Structures

The three stakeholders Swedwatch, IndustriAll and CCC Norway all have their origins in Western institutional systems and are deeply integrated in Northern European cultures. As such, these organizations are arguably accustomed to a rigid legal framework where legitimate corporate conduct is – to a significant extent – codified into law. This framework may be an explanatory factor in understanding why these stakeholders often take a rights-based approach in their conceptualization of the issue at hand. Specifically, the three stakeholders make reference not only to workers’ rights but also to human rights and international conventions and agreements.
regarding non-violation of rights to an extent not seen among Bangladeshi stakeholders. Thus, it may be argued that Western stakeholders conceptualize the corporation as responsible for mimicking legal frameworks in countries and markets where these are either not codified into law or not enforced in practice. In addition, Western stakeholders seem to prefer multi-stakeholder engagement across the industry and encompassing of global organizations and national governments to a greater extent than Bangladeshi stakeholders. This preference may be explained with reference to the tradition for intimate relations and constructive collaboration between businesses, the state and civil society which characterize the Swedish and – to some extent – other Northern European national business systems. In particular, Viveka Risberg of Swedwatch emphasizes how the organization maintains its dialogue with Swedish public institutions in order to monitor political trends and public discourse as well as nurtures its relationships with Swedish corporations with a view to sharing best practices. Carin Leffler of CCC Norway and Monika Kemperle of IndustriAll similarly express their support for collaboration with multiple actors with reference to the necessity of influencing the political process and the efficacy of leveraging the political and economic influence of multinationals to do so. Lastly, all three stakeholders – on their own initiative – mention the importance of transparency with regard to codes of conduct, supplier lists and purchasing practices. This emphasis on transparency may be explained by the Scandinavian tradition for openness, honesty and trustworthiness among business actors.

5.2 Stakeholder Perceptions and Bangladeshi Institutional Structures

In contrast to Swedwatch, IndustriAll and CCC Norway, the perceptions expressed by labor activist Nazma Akter and the Embassy of Bangladesh in Stockholm should be understood with reference to the Bangladeshi institutional context. As demonstrated above, a number of differences exist between these two stakeholders and the three with origins in Northern Europe. For example, both Bangladeshi stakeholders focus primarily on social welfare among the general public and among workers in the industry rather than civil, political and human rights. As noted, Kamruzzaman of the Embassy stresses the importance of taking into account the broader welfare implications of the
presence – and potential exit – of multinationals in the industry, and Akter argues for corporate facilitation of labor unions primarily as a driver for improved health care and social welfare for workers. Similarly, both stakeholders emphasize the importance of inter-company collaboration in order to ensure that pricing strategies, codes of conduct and health and safety provision are aligned with worker needs and the competitiveness of the industry. These trends may be seen as reluctance on the part of Bangladeshi stakeholders to encourage – or participate in – multi-stakeholder collaboration across the industry and may thus be explained by institutionally conditioned averseness to foreign intervention in the political process. Instead, Bangladeshi stakeholders encourage corporations to contribute to change by adapting their internal practices as well as through their direct relationships with suppliers and workers. Furthermore, Akter’s normative argument that multinationals, due to the profitability gained from presence in the industry, should provide health and welfare benefits beyond what may be achieved through their core business operations to some extent resembles patronage logic. Specifically, her argument entails that corporations may be able to maintain economic structures of exploitation and political structures of consensus and domination in exchange for direct public welfare provision. Lastly, whereas Western stakeholders largely emphasize a structural approach to protection and non-violation of rights, Bangladeshi stakeholders focus mainly on discrete activities designed to improve de facto conditions at the level of individual factories. This may be explained by the persistence in Bangladesh of weak formal regulation and law enforcement, which in turn may result in discrete, philanthropic, non-core business activities as being perceived as more legitimate by Bangladeshi stakeholders.

5.3 Stakeholder Perceptions Alignment

Despite these differences in stakeholder perceptions, which may be argued to be the product of differences in institutional incentive structures, the data set also reveals multiple similarities between stakeholder perceptions. These similarities are summed up in Chapter 6, but before turning to these conclusions and their implications for H&M and the company’s CA activities in
Bangladesh, it is of value to briefly discuss the potential reasons for such similarities. First, they may confirm the notion that processes of globalization indeed lead to converging cultural norms understood as stable and recurring patterns of behavior. In this sense, formal and informal aspects of the capitalist market structure have penetrated cognitive patterns across the world to the extent that all the interviewed stakeholders agree to the importance of maintaining the global competitiveness of the industry; of aligning sustainable social, civil and political development with core business activities and incentives; and of requiring corporations to individually and collectively address potential democratic deficits. Second, it may be the case that the development of an eclectic theoretical framework for understanding how stakeholders perceive the legitimacy of CA allows the researcher to probe into stakeholder perceptions in a holistic and inclusive way, thus enabling her to classify common trends across the data set although these may be expressed with reference to differing value systems or be founded in differing institutional incentive structures. In this sense, the combination of multiple academic fields of inquiry, including institutional theory, allows the researcher to both detect patterns of similarity and provide tentative explanations to identified differences.
6. CONCLUSIONS AND IMPLICATIONS

6.1 Conclusion

The interviewed stakeholders have an overall favorable perception of the legitimacy of CA, inasmuch as demonstrating awareness of and willingness to positively affect social and market conditions in sourcing markets through activities beyond the conventional realm of product procurement is conceptualized as an ethical responsibility of corporations. Stakeholders further find CA to be more legitimate when it is explicitly connected with the economic responsibility of corporations to remain profitable and contribute to the continued competitiveness of the market than when it is tied to discrete acts of philanthropy or interference with the political process. As such, stakeholders perceive CA to be legitimate when there is a direct and identifiable between core business operations, corporate knowledge, experience and resources, and CA activities. This is intimately related to the finding among the majority of stakeholders that legitimate CA should first and foremost be directed toward de facto conditions on the factory floor and be leveraged through individual relationships between multinationals and their suppliers. Despite some support for multi-stakeholder engagement which extends to global organizations, labor unions and national governments, the main focus of a legitimate CA strategy should, according to the stakeholders, emphasize the company’s willingness to internalize issues through innovative and mutually aligned approaches to codes of conduct, pricing strategies, purchasing practices and provision – or, at the very least, promotion – of health and welfare benefits as well as processes of social dialogue and collective bargaining. There is mixed support for the notion that legitimate CA entails an explicitly political approach to CSR. While some stakeholders express positive perceptions of the legitimacy of applying corporate pressure on national governments with a view to establishing regular revisions of minimum wages and legal recognition and protection of labor unions and collective bargaining, the majority of stakeholders emphasize that multinationals should focus chiefly on
protecting and promoting social rights. To a certain extent, stakeholders also perceive the protection and promotion of civil rights to be legitimate, although conceptualizations of these rights differ. For some, the protection of civil rights is an ethical responsibility stemming from an acknowledged public responsibility deficit, while for others it is primarily a means to ensure social rights. Finally, the research presented throughout these pages finds that legitimate CA as perceived by the interviewed stakeholders is contingent upon the level at which it is conducted. Advocacy understood as efforts to directly influence stakeholders beyond the conventional sphere of business operations is perceived as most legitimate when it is aimed at facilitating change in de facto conditions in supplier factories. At this level, stakeholders perceive realization of social and civil rights as legitimate corporate conduct. Conversely, stakeholders express general perceptions that corporations overstep their mandate when they engage with rights realization at the structural level, inasmuch as this is perceived as unwarranted transgression of the role of the state. As such, advocacy at the structural level is perceived as most legitimate when targeted toward respect and protection of social and civil rights. Explanations for variations in stakeholder perceptions across the data set may be made with reference to differences in institutional incentive structures between Western and Bangladeshi stakeholders. Differing traditions pertaining to national business systems, cultural norms and informal institutions such as patron-client relationships have some explanatory power in understanding why these variations occur. Thus, the rights-based approach to legitimate CA expressed by Western stakeholders as well as their support for multi-stakeholder engagement across economic, social and political spheres may be the results of long-standing rigid legal frameworks combined with a tradition for close and constructive collaboration in Northern European business systems. Conversely, the emphasis on inter-company collaborations and direct public service provision by corporations expressed by Bangladeshi stakeholders may stem from the persistence of weak regulatory institutions and demonstrate the dominance of patron-client relationships for social coherence.
6.2 Implications for H&M

In many aspects, H&M’s activities pertaining to CA in Bangladesh’ RMG industry are well aligned with stakeholder perceptions of legitimate corporate conduct. H&M’s conceptualization of its corporate responsibility as primarily ethical – with an economic responsibility as a foundation for all activities – resonates well with all the interviewed stakeholders, and the company’s emphasis on respecting democratic boundaries similarly finds support across the data set. H&M’s commitment to choose and reward responsible partners as well as the establishment of model factories under the Roadmap to Fair Living Wages project are likewise aligned with stakeholder perceptions that legitimate CA should be directly related to core business operations and entail direct relationships for change between multinationals and their individual suppliers. Nonetheless, the research project uncovers a number of focus areas within which H&M may benefit from a reevaluation of its activities and approaches. First, the finding that stakeholders, irrespective of institutional background, perceive CA activities to be the most legitimate when they i) are tied explicitly to core operations rather than being overarching advocacy strategies for structural change and ii) focus on contributing to public infrastructure and social coherence rather than directly providing public goods is of key importance to H&M. Although this should not necessarily lead to the abolishment of non-core CA activities for structural change or interference with the political process, it does call for specific attention to the relative emphasis placed on these activities and how they are communicated externally. This is intimately connected with the notion that stakeholder perceptions seem to be (at the least to some extent) determined by institutional incentive structures, which cause differences in legitimacy perceptions between Bangladeshi and Northern European stakeholders. As a result, H&M may benefit from more explicit identification of target stakeholders vis-à-vis individual advocacy activities and design its work with direct reference to stakeholders’ differing perceptions of legitimate corporate conduct. This may entail different approaches. If the purpose is to attempt to influence local stakeholders’ perceptions of H&M as a legitimate social actor for structural change, the company may wish to communicate more clearly and directly the identified structural issues and the intended structural improvement of CA work to local stakeholders. This may contribute to acceptance among local stakeholders of the usefulness of
such work and thus increase H&M’s legitimacy in their eyes. Conversely, if the purpose it to increase the perception of H&M as a legitimate corporate actor among local stakeholders without attempting to overcome institutional incentive structures, H&M may benefit from focusing more explicitly on its advocacy work at the factory level when communicating with local stakeholders as well as emphasizing its stance on support, promotion or realization of unionism as opposed to social dialogue in a more general sense. In sum, understanding in more detail the implications of different approaches to CA for perceptions of legitimacy among stakeholders at the global and local levels will allow H&M to strategize more effectively by winning general support for activities within areas of stakeholder perceptions alignment while ensuring the local embeddedness of activities within areas of divergence of such perceptions.
CHAPTER 7

7. BEYOND THE RESEARCH PROJECT

Over the course of the research cycle, a number of practical, methodological and theoretical limitations have emerged, and new problem areas for academic inquiry have been identified. This final chapter discusses these limitations and opportunities for future inquiry with a view to placing the present research project within its larger academic context.

7.1 Limitations to the Research Project

Several limitations regarding scale, scope and accessibility have impacted the work and outcomes presented in the previous chapters. First, the scope of the research project did not permit a full examination of all relevant stakeholders. For example, the researcher chose not to include consumers, industry peers or Western grassroots organizations, as these were considered secondary stakeholders to the specific issue by both the researcher and H&M. Similarly, the project focuses somewhat narrowly on stakeholder perceptions pertaining to wage levels and industrial relations rather than encompassing other issue areas such as building safety, health and welfare, or worker harassment and violence. With limited financial and temporal resources as well as strict limitations regarding the length of the project, it was estimated that a narrow focus on wage levels and industrial relations would offer the most useful results for H&M as well as uncover important underlying structures which may in turn affect other issues in the industry. With regard to scale, data collection was limited to semi-structured interviews in order to uncover stakeholder perceptions as well as identify potential institutional incentive structures guiding these. As noted in Chapter 3, longitudinal participant observation may have improved the validity of the data – particularly with regard to uncovering subtle differences in institutional incentive structures. Lastly, a number of practical limitations significantly hamper the academic soundness of the findings presented above. In particular, interviews with suppliers, government officials, trade associations,
labor unions, and individual workers in Bangladesh would have been exceedingly valuable for the validity of the conclusions drawn in the research. Unfortunately, these stakeholders proved impossible to engage in dialogue despite numerous attempts via email, telephone, and personal networks in Bangladesh. While it should come as no surprise that government officials and trade associations were reluctant to participate in research pertaining to a complex, structural and critical topic such as the present, it proved to be equally difficult to engage local labor unions and suppliers in participation despite continuous contact via email and telephone as well as numerous promises to participate. As a consequence, the conclusions of the research are necessarily based on the perceptions and conceptualizations of a much smaller and more narrowly defined group of stakeholders than intended.

7.2 Suggestions for Future Research
As the research presented herein is conducted with direct reference to H&M’s CA activities in Bangladesh’s RMG industry, it must be expected that the generalizability of its conclusions is limited. Granted the lack of an established theoretical approach to evaluating legitimate CA as a CSR activity or generally accepted corporate conduct, it would therefore be useful to test the viability of the eclectic framework developed here in a more general setting. It may, for example, be the case that stakeholders in other contexts view public responsibility strategies relating to non-core operations as more favorable than is the case in the research presented here. Similarly, different issues or contexts may entail that stakeholders have different perceptions of legitimate corporate action with regard to the protection of social, civil and political rights. Analyzing how these perceptions differ between stakeholders and issue areas is an important step to understanding the social embeddedness of such structural issues and their possible solutions. Another important area for future research is a longitudinal approach to stakeholder perceptions with a view to examining how such perceptions change over time. As noted by Hanna Hallin, Public Policy Responsible at H&M, the past decade has seen a change in general opinions and expectations regarding the social and political role of the corporation. Academic inquiry into the
process whereby stakeholder perceptions influence and are influenced over time by business operations, multi-stakeholder activities and institutional transitioning would provide a valuable addition to CA literature. Lastly, insight into the experiences, opinions and conceptualizations of those stakeholders unwilling to participate in the research presented above would provide CA and CSR practitioners with important knowledge and increase their ability to develop overall strategies and discrete plans for action which incorporate more holistic considerations for stakeholder impact and collaboration. This type of research would require strong personal networks extending to government bodies and trade associations as well as careful phrasing of problem area and academic approach in order to ensure participation. These potential areas for future inquiry arise from the exploratory research presented in this project. Given the significant challenges to sustainable economic growth and social, civil and political development across our globe, these are important issues, which merit further examination at both practical and academic levels.
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H&M STOCKHOLM – PUBLIC ADVOCACY RESPONSIBLE

1) Describe your current key advocacy activities – how are they important, what are you doing to engage, and who do you see as the main stakeholders and collaborators?

2) Why does H&M engage with corporate advocacy in general? What strategic, practical, and ethical considerations lie behind your work?

3) What strategic considerations underline the decision to engage in any given social or public policy issue?

4) What key criteria are used to identify and prioritize corporate advocacy issues?

5) How does H&M map it stakeholders at the global level and in the countries and communities where H&M is present?

6) How does H&M balance, align and prioritize multiple – and potentially conflicting – stakeholder claims?

7) In your experience and professional opinion, what are the most significant risks of engaging with corporate advocacy?

8) How do you mitigate these risks?

9) Do you experience resistance to your advocacy activities? If yes, how, when and from whom? Examples?

10) What challenges to you experience in your work with external stakeholders, with respect to legitimacy, authority, interests and collaboration?

11) In your personal opinion, what is the role or mandate of H&M in the specific issue of labor rights and wage levels in Bangladesh’s RMG industry? What can and what can’t H&M do?
H&M DHAKA – RELATIONS RESPONSIBLE

1) Share your current observations regarding H&M’s advocacy work in Bangladesh – what challenges, opportunities, obstacles and progresses are you experiencing?

2) What is your role as Relations Responsible?

3) Who are the most important stakeholders in the Bangladeshi RMG context?

4) How do you engage with these stakeholders in your daily work?

5) What challenges do you experience in your work with external stakeholders, with respect to legitimacy, authority, interests and collaboration?

6) How does H&M balance, align and prioritize multiple – and potentially conflicting – stakeholder claims?

7) Do you experience resistance to your advocacy activities? If yes, how, when and from whom? Examples?

8) In your experience and professional opinion, what are the most significant risks of engaging with corporate advocacy?

9) How do you mitigate those risks?

10) In your personal opinion, what is the role or mandate of H&M in the specific issue of labor rights and wage levels in Bangladesh’ RMG industry? What can and what can’t H&M do?
APPENDIX B: INTERVIEW GUIDES – STAKEHOLDERS

BANGLADESHI AND WESTERN STAKEHOLDERS

1) Describe your organization and your work in relation to the issue of wage and labor standards in the Bangladeshi RMG industry – why is your work important, and what are your key activities?

2) What is your mandate in this issue, and why is this a legitimate mandate?

3) What strategic considerations underlie the decision to actively engage with any given social issue?

4) How do you strategize and work to achieve your vision – how do you conceptualize the issue, who are your key stakeholders, and how do you navigate the context?

5) To what extent – and under what configurations – do you collaborate with other stakeholders, such as government bodies, employers, employees, unions, NGOs, corporations, etc.?

6) How do you perceive of the benefits and risks of such collaboration, with respect to legitimacy, rights, influence, power dynamics, impact effectiveness, and resource efficiency?

7) In your opinion, what is the role of the private corporation – the Western buyer – in this issue?

8) Is there anything the corporation should or must do, or anything the corporation cannot or should not do?

9) What is your experience with H&M as an actor and as a collaborator in this regard?

10) What challenges have you encountered in relation to public policy issues and advocacy activities of corporations?
APPENDIX C: AUDIO RECORDINGS

The files attached here comprise the data sets collected during the research period.
APPENDIX D: DESCRIPTIONS OF INTERVIEWED STAKEHOLDERS

Below is a brief description of the stakeholders interviewed for the research project.

SWEDWATCH

Description: Swedwatch is a research and watchdog organization funded by the Swedish International Development Agency (SIDA). The organization monitors Swedish business relations in developing countries with a specific focus on social and environmental concerns and reports its findings to businesses, government institutions and the general public. Swedwatch strives for organizational independence and scientific soundness but nonetheless engages actively with the business community in order to push for action, spread best practices and raise the bar for CSR activities across the global market.

Name of interviewee: Viveka Risberg, Director

More information: www.swedwatch.org/en

CLEAN CLOTHES CAMPAIGN NORWAY

Description: Clean Clothes Campaign (CCC) is an international watchdog and campaign organization with a mission to improve labor conditions and support empowerment among workers in the global garment industry. CCC has over 200 member organizations in 16 countries. These member organizations drive CCC’s work at the local level and stay updated on local trends and issues. The organization engages with issues and stakeholders in a number of ways, including general public awareness campaigns, collaboration with corporations, and whistleblowing in concrete cases of conflict or abuse.

Name of interviewee: Carin Leffler, Advisor and Project Coordinator at Fremtiden i Våre Hender (CCC member organization in Norway and CCC contact person for H&M)
INDUSTRIALL GLOBAL UNION

Description: IndustriAll is a global union which merges workers’ interests across mining, chemicals and textile industries globally. The union has 680 affiliates in 142 and represents more than 50 millions workers. IndustriAll supports its affiliates with training pertaining to union rights and better working conditions and with assistance in collective bargaining processes. Further, the organization brings local worker issues to the global level by applying pressure to and negotiating with multinational corporations regarding labor conditions in their supply chains. As such, IndustriAll engages with the private sector through dialog and collaboration but has also launched public awareness campaigns targeted at individual companies or sectors.

Name of interviewee: Monika Kemperle, Assistant General Secretary

More information: www.industriall-union.org

EMBASSY OF BANGLADESH IN STOCKHOLM

Description: The Embassy of Bangladesh in Stockholm is responsible for monitoring business, government and civil society activities in Sweden, Norway, Denmark, Finland, and Iceland. The Embassy gathers information pertaining to business activities, legislation trends, NGO behavior, and public discourse. This information is forwarded to government officials in Bangladesh, who decide on plans of action when estimated necessary. A secondary task of the Embassy is to represent the interests of Bangladesh’s government in dialogues with public institutions and at participation in relevant events.

Name of interviewee: Mr. Kamruzzaman, Head of Chancery

More information: www.cleanclothes.org
NAZMA AKTER (AWAJ FOUNDATION)

Description: Nazma Akter is a Bangladeshi labor rights activist with years of experience as a textile worker in the country’s RMG industry. Akter is also the founder of Awaj Foundation, an NGO which promotes workers’ rights, supports women’s empowerment and assists in settling disputes in the workplace. Akter is a highly visible actor in the issue and has participated in workshops, multi-stakeholder initiatives, and roundtable meetings both in Bangladesh and abroad.

Name of interviewee: Nazma Akter

APPENDIX E: H&M’S MAIN STAKEHOLDERS

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>COMMUNITIES</th>
<th>EMPLOYEES</th>
<th>SUPPLIERS</th>
<th>INDUSTRY PEERS</th>
<th>POLICY-MAKERS</th>
<th>NGO</th>
<th>INVESTORS</th>
</tr>
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<tbody>
<tr>
<td>H&amp;M is a customer-focused company. Understanding and meeting the needs of our customers is at the core of everything we do.</td>
<td>H&amp;M is closely connected with communities around the world in which our stores are located and those that meet our supplier factories.</td>
<td>We want our employees to be advocates for H&amp;M brands. Motivated and satisfied employees means better customer interactions and a better and more productive workplace.</td>
<td>Our suppliers are our valued business partners. Stable and long-term relations are key to mutual growth. Strengthening their ownership over their sustainability issues and improving their performance is important in enabling long-term sustainable development.</td>
<td>Some challenges are best addressed collectively. We work with industry peers and other companies operating in the same markets to define industry standards and communicate responses to shared challenges.</td>
<td>H&amp;M and our suppliers are subject to rules set by policy-makers. Maintaining dialogues with them helps us to stay informed about, and sometimes to help shape, our legal and regulatory context.</td>
<td>NGOs are expert advisors on standards and practices throughout our value chain. We rely on their expertise and independence to ensure that we meet the most up-to-date standards and to make us aware of any concerns.</td>
<td>H&amp;M is a publicly listed company. As such, we are accountable to our investors.</td>
</tr>
</tbody>
</table>

### HOW WE ENGAGE

- In-store customer interactions
- Customer service interactions
- Social media (8.7 million Facebook fans, 680,000 Twitter followers)
- Market research
- Consumer media
- Consumer organizations
- Through community partners
- Interactions with local authorities
- Through NGO interaction (local + global)
- Interactions with NGOs and governments
- Interviews with workers in supplier factories through our Full Audit Programme (FAP)
- We have an open-door policy, encouraging constant feedback
- Store or union representation in many markets
- European Worker Council (EWC)
- Meetings facilitated through our new framework agreement with IEFN
- Regular individual performance reviews
- Employee surveys in some markets
- Individual meetings throughout a partnership
- Introduction meetings with new suppliers
- Fallback Programme (FAP)
- Training modules
- Interventions with workers in supplier factories through Full Audit Programme
- Multistakeholder initiatives such as the Fair Labour Association (FIA), Sustainable Apparel Coalition and Better Cotton Initiative
- Various national and regional initiatives such as Sector Roundtables
- Different forms of pre-competitive collaboration
- Individual meetings
- Industry-wides meetings
- Responses to official consultations
- Dialogue through intermediaries
- Regular meetings or ad-hoc dialogue on global and local level
- Specific programmes with global local NGOs
- Direct partnerships
- Partnerships through membership organisations, like the Better Cotton Initiative
- Community investments
- AnnualSupplier Meeting
- Annual and quarterly reports and related press and telephone conferences
- Sustainability reporting
- Monthly sales figures
- Individual meetings

### KEY ISSUES

- Product design
- Product quality and durability
- Product affordability
- New store locations and formats
- Supply chain working conditions
- Chemicals used in production processes
- Green transport and waste management
- Community investments
- Employment opportunities and impacts on growth and development
- Environmental impact
- Community support (e.g., disaster relief or garment donations)
- Job security and growth
- Pay and working conditions
- Equal opportunities
- Learning and career progression
- Supply chain working conditions
- Conscious Actions In-store
- Long-term relationships
- Brand building and skills transfer
- Compliance with our requirements
- Social dialogue and worker involvement
- Industry-wide social and environmental challenges, such as supply chain working conditions and environmental impacts
- Best practices in pre-competitive matters
- Legal and regulatory requirements
- Registry and legal compliance
- Local labour and environmental standards (including grid carbon emissions and social dialogue)
- Product safety and quality standards
- Climate change
- Urban culture
- Labour rights and supply chain working conditions
- Social and economic development contribution
- Water and chemicals management
- Environmental impacts
- Sales development
- Profitability
- Sustainability matters
- Expansion