

A photograph of a person wearing a grey turtleneck sweater, holding a handful of blueberries in their left hand. A single blueberry is captured in mid-air, falling from their right hand. The background is blurred, focusing attention on the hands and the berries.

## SUSTAINABLE DEVELOPMENT AND BUSINESS

Markus Kallifatides and Lin Lerpold (eds.)

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MARKUS KALLIFATIDES AND LIN LERPOLD (EDS.)



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Keywords: Sustainable Development, Sustainability,  
CSR, Social Innovation

Sustainable development and business  
ISBN: 978-91-86797-27-0

First edition

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Art direction and design: Petra Lundin, Manifesto  
Production: Manifesto, [www.manifesto.se](http://www.manifesto.se)

Distributed by:  
Stockholm School of Economics Institute for Research (SIR)

Printed by: Ineko, Stockholm, 2017

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*This book is dedicated to Marie Ehrling for her long commitment to enabling studies of management practice conducted by researchers at the Stockholm School of Economics. Her commitment to research has also greatly contributed to our mission of science-based education and, thus, our students' education. Marie has also acted as an important executive within the sustainability field. She is deeply knowledgeable of the dynamic nature between business and society, encompassing both challenges and opportunities, some of which this book addresses.*

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## Acknowledgements

Every year since 1992, the SSE Institute for Research (SIR) has produced an Annual Book.<sup>1</sup> As a sign of the times, this volume marks the third time the book has been written in English rather than in Swedish, for several reasons. Firstly, the Stockholm School of Economics is the workplace of many academics who do not speak, read or write in Swedish, and the invitation to participate in the Annual Book was extended to all academics at the School. Secondly, this year's theme of sustainability is inherently global (as well as local), and we intend for as many people as possible to be reached by our efforts at approaching, and formulating, these questions. We therefore extend our sincere gratitude to Michelle Vessel for her suggestions on how to write in the English language. We also thank Petra Lundin for her graphic design of the book.

The director of SIR, Johan Söderholm, and the Chair of SIR, Richard Wahlund, have supplied a great deal of support, for which we are deeply grateful. We commend Richard's initiative to make the SIR Annual Book a project for the entire Stockholm School of Economics, opening up opportunities for new collaborations and a plurality of perspectives, to which this year's book gives testament. We also thank The Swedish Foundation for Strategic Environmental Research (Mistra) through the Mistra Center for Sustainable Markets (Misum) for economic support for this book. Finally, thank you to our interviewees who shared your knowledge and time so generously with us, and to our dear fellow authors for your individual and collective efforts, without which there would be no book!

Stockholm, December 2016

*Markus Kallifatides and Lin Lerpold*

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<sup>1</sup> Up until 2009, the Annual Book was produced by Ekonomiska forskningsinstitutet (EFI), the predecessor to SIR.



## The case of [partial] organising for CSR

### Bridging the responsibility gap for SMEs

CLARA MY LERNBORG AND TINA SENDLHOFFER

#### Introduction

This chapter investigates the particular efforts involved in organising corporate social responsibility (CSR) in global supply chains (GSCs) from the perspective of small and medium-sized enterprises (SMEs). Our reflections relate to two chief aims: first, the exploration of which particular organisational elements are used to translate values of corporate social responsibility (CSR) into a global context, and second, delving into the implications of responsibility that may occur as the result of such efforts to organise. The importance of allowing SMEs to adhere to rules set by other actors is a particular focus.

Concerns about the irresponsibility, as well as the social and ecological unsustainability of the textile industry, have been raised during the last twenty-five years. This has led market actors to organise in different types of collaborative initiatives and for different causes, including increased minimum or living wages, sustainable cotton production, and water conservation, among others. Although labour issues are proclaimed to be at the top of corporate sustainability agendas, they can be difficult to organise and measure. Allegations of violations of various labour rights abuses are frequently made in the media (Grafström et al. 2015). Also, settling for auditing only first-tier suppliers is common practice, leaving many labour issues unresolved (Locke et al. 2007). SMEs often tend to escape such media scrutiny. Yet some SMEs seek to take responsibility for labour in their GSC, implying organising sustainability from afar. Hereinafter, we contemplate partial organising as a means of allowing for such an event, e.g., measuring, controlling, and organising labour issues from afar on a broad GSC scale.

In this chapter, we analyse an example of this kind of organising in the textile industry. The case of the Device Company described focuses on a digital tool for workers' rights as an example of partial organising. We study the organising of CSR, enabled by a digital device, with the use of the organisational elements membership, hierarchy, rules, monitoring and sanctioning. The remainder of the chapter is organised as follows: we begin with the theoretical and empirical concern of SMEs as rule-setters versus rule-followers. Thereafter, we introduce the theoretical concept of [partial] organising of CSR by SMEs and the translations to its suppliers in the GSC. Then, we move on to the empirical account of the digital device. The analysis focuses on the applicability of organisational elements coming together in the process of conveying the importance of responsibility and particularly the rule-keeping opportunities afforded for SMEs through partial organisation. The final part summarises the main conclusions.

#### THEORETICAL AND EMPIRICAL CONCEPTUALISATION OF SMALL AND MEDIUM-SIZED ENTERPRISES AS RULE-SETTERS VERSUS RULE-FOLLOWERS

Our empirical and theoretical challenge lies in how SMEs, given resource constraints of knowledge, economic power and internal motivation (von Weltzien-Hoivik and Shankar 2011), can organise the rules of CSR in GSCs. Given the prevalent tendency toward internationalisation, and the related practice of outsourcing, SMEs have increasingly globalised GSCs. In order to maintain these, Western SMEs as well as their suppliers, frequently located in the Global South, are required to follow rules of CSR in the form of codes of conduct and other types of certification programs (Jorgensen and Knudsen 2006). Such rules may be difficult to follow for many SMEs, not least given the lack of economic resources required for monitoring adherence. Further, there is a lack of economic leverage over suppliers that may hinder the willingness of the latter to follow these rules.

There are different roads to take in relation to CSR rules. Some SMEs take the lead and pioneer new initiatives; Egels-Zandén (2015) presents a revelatory case in the textile industry in which Nudie, a small Swedish brand<sup>1</sup>, implemented a living wage at its supplier, something which allegedly 'could not be done' according to fashion giant H&M. Thereby, Nudie singlehandedly changed the

1 We consider 'brand' to refer to fashion companies (SMEs and MNCs) that sell products which are labelled.

rules of the game and set its own new rules. Another example of such an SME is given by Kallifatides and Egels-Zandén (2013), e.g., Dem Collective, a small and fledgling brand that implemented strict CSR rules in its GSC, thereby providing symbolic value showing that the rules can be altered. Egels-Zandén (2015) characterises this type of SME as institutional entrepreneurs, whilst others call them social entrepreneurs, with an interest in marrying different logics and improving practices (further developed in Furusten and Juncker's as well as Le Coq et al.'s chapters in this book).

Not all companies are able to set the agenda for CSR, and with the bulk of companies worldwide consisting of SMEs it is vital to allow SMEs to follow the rules of CSR (Baden et al. 2009). It is not necessarily for lack of motivation that SMEs do not engage with CSR. There is thus a need to allow SMEs to adhere to established rules. However, with various regulatory lacunae and different frameworks, as well as little possibility of economic leverage, SMEs seem to have little possibility of doing so (Perry and Towers 2009). There are several ways of organising CSR in order to circumvent this. One natural way of doing so is to collaborate with partners (developed in the chapter by Le Coq et al.). However, this study concerns itself with the organising of the CSR efforts, and we are interested in determining which organisational elements (Ahrne and Brunsson 2010) most expediently allow SMEs to set or follow the rules of CSR.

Knudsen (2013) emphasises the significant research gap when it comes to SMEs both supplying and following private regulation in GSCs. Thus, we suggest that it is useful to categorize particular SMEs as either rule-followers or rule-setters. The vast majority are rule-followers. We will investigate how these can be organised, with a particular focus on identifying the organisational elements that facilitate organisation; i.e., how partial organising can enable SMEs to organise CSR. This issue is important both empirically and theoretically, given the dearth of research on SMEs in general, and empirically, in terms of in-depth case studies.

## Conceptual background

### [PARTIAL] ORGANISING

A perspective seldom taken into account when studying CSR is that of organising for it. In the CSR literature, we see that the elements involved in organising are often underappreciated and understated (Rasche et al. 2013). In order to further investigate how SMEs can follow the rules of CSR in GSCs, we find the concept of [partial] organising useful for understanding which organisational elements are used for translating the idea of CSR.

For this study, we make use of the view on institutions, networks, organisations and partial organisations devised by Ahrne and Brunsson (2010). Institutions are often seen as the taken-for-granted order, rules, regulations and norms constraining and enabling behaviour; whilst networks, in their purist definition, are a web that spans between two or more related actors (e.g., a relationship). Organisations are the result of organising through established orders.

Decisions can be divided into five categories. First, decisions have the possibility to grant access to market conditions. Second, decisions are restricted by the rules of their environment, such as norms. Third, every decision made by individuals or organisations implies taking responsibility thereof. Fourth, decisions about the five organisational elements allocate the responsibilities and tasks to be carried out by others. And fifth, decisions are always a source of dynamics that may arise from them. For a detailed review of decisions and their consequences, we encourage the reader to delve into the article by Ahrne and Brunsson (2010). The five decisional categories create a kind of logic for defending the necessity of [complete] organisations. However, with this kind of flexibility and control, [complete] organisations are likely to create instability and risks to markets through weak and unstable orders, as it allows for questioning thereof.

Following Ahrne and Brunsson (2010), organisation does not only occur within the boundaries of formal organisations. Instead, 'organisation' is better understood through the unpacking of organisational elements involved in the black box of organising, which include membership, hierarchy, rules, monitoring and sanctioning. Formal organisations make use of, and have access to, all of the five elements, whereas variations of organising have access, but only make use of selected elements. The former, formal organisations thus can be

regarded as being complete, whilst partial organisations make use of only a selection of these elements. Notably, the use of organisational elements by partial organisations can be considered to be fluid, i.e., partial organisations can make use of all the elements at various points in time. Many forms of organising for sustainability or CSR are informal and indeed partial (Rasche et al. 2013). For instance, membership and hierarchy are strong premises for rules. We contend that partial organising is one method of doing so in an increasingly fragile global order, suffering from responsibility gaps.

Furthermore, in a period of increasing rules, standards and certification, partial organisation allows the bridging of regulatory gaps from a distance (Ahrne and Brunsson 2010). Just as formal organisations are created in order to govern at a distance, so too can the use of just a few particular organisational elements serve the same purpose. As indicated previously, organisation boils down to acts of decisions and decision-making, as well as attempts at executing an intended order, in our case the order of who should take responsibility for what. When taking and attributing responsibility for matters pertaining to workers' rights, there is seemingly ample need for an intended order, rather than remaining in the current emerging order.

What meanings do the five organisational elements carry? The five elements are based on Goffman's 'focused interaction' (1972) framework. The first element, *membership*, determines who is interacting with whom. Every individual or every organisation involved has to know of the other. The second, *rules*, set the framework for exhibiting responsibility for one's behaviour, as well as indicating how to execute related tasks. Third, *monitoring*, allows all involved participants to keep track of each other's behaviour and therefore lays the basis for forging plans and goals. Fourth, *sanctioning*, empowers the measure to persuade the other to act in accordance with the rules. Fifth, *hierarchy*, is the evidence for power relations and arm's-length relations. Here again we encourage the reader to take a closer look at the work by Ahrne et al. (2014). In a nutshell, all elements are either achieved through cultural norms, charisma, social status and traditions, or are created through decisions (March and Simon 1958; Luhmann 2000). Hereby, we argue that [formal] organisations are created through decisions, which postulate the organisational elements. Furthermore, we believe that organisations attempt to arrange their own environment, from which the concept of 'partial organising' emanates. Repeated partial organising occurs when organisations use

one or more organisational elements to organise their environment. These elements can be used independently from each other and exchanged over time. Due to its flexibility, partial organising allows for rather ad-hoc organisational changes, as well as adjustments to environmental changes.

Also, we regard the view on individual market actors, in our case SMEs and their explicitly experienced difficulties in forecasting market changes, as particularly worthy of consideration when identifying the benefits of partial organising. Assuming responsibility for either one or a larger selection of organisational elements enables economising of resources. Despite the possibility that all elements can exist by themselves, organisations tend to refrain from making use of merely a single organisational element. Usually, organisers combine two or more elements with each other or depend on other organisers to take responsibility for other elements (Ahrne and Brunsson 2010). This is rooted in the resource-intensive nature of facilitating all elements, as well as ensuring decision processes on one hand, and on the sometimes intra-competitive nature of organisational elements on the other. An example is the coupling of standardising systems to certification programs. Another example studied by Lembke (2006) is partnerships. The author found that membership and rules, or membership and monitoring, constitute frequent combinations for formulating partnership relationships.

Some SMEs might aim at institutionalising their partial organisation 'CSR rules' in order to make their environment more predictable, and further to be able to proactively adapt to market changes (Nee 2005). As mentioned, we conceptualise SMEs as either rule-setters or rule-followers and thus find partial organising a useful theoretical starting point, allowing the unveiling of the organisational elements involved in how such rule-setting versus rule-following is organised.

## Corporate Social Responsibility

CSR<sup>2</sup> has a plethora of definitions (Dahlsrud 2008) and is frequently seen as an application of business ethics (Gerriga and Melé 2004), while others frame it as a management idea (see Jutterström's chapter in this volume; Czarniawska and Panozzo 2008). Regardless, the notion of CSR itself is not new; it is of

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<sup>2</sup> We define it as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large' (WBCSD 1999: 3).

course related to what it means to be a ‘good’ company. Frequently for SMEs, the notion of what a good company does, and taking responsibility, is heavily focused on employees and community aspects (Morsing and Perrini 2009). However, CSR itself addresses these issues in a ‘new linguistic costume’ (Frostenson 2013), and one can argue that this is especially true for SMEs. Further, Frostenson (2013) stresses the importance of existing rules in determining how CSR, or which type of CSR, is understood in an organisation. The idea of CSR or responsibility relates to rules of acceptable behaviour, involving multiple forms of regulation and standards, voluntary and involuntary. Irrespective of the degree of voluntarism, the rules or regulations of CSR are frequently vague, and therefore their global diffusion allows for heterogeneous adaptations and translations.

#### SMALL AND MEDIUM-SIZED ENTERPRISES AND ORGANISING FOR CSR

With over 90 per cent of companies worldwide consisting of SMEs<sup>3</sup> and accounting for 70 per cent of global pollution (Hillary 2000), SMEs constitute a crucial gateway to a [positive] sustainability impact worldwide. There are many peculiarities of SMEs, affecting their engagement in CSR and sustainability activities, the highlights of which will be presented below.

In general, it can be said that the pathway to decision-making and agency is shorter in SMEs, as the manager and the owner are often the same person. The owner’s/manager’s personal values and level of morality can also play a major role in determining the level of commitment to the implementation of social responsibility programs in the SME (see Lepoutre and Heene 2006; Hsu and Cheng 2011) as well as that of interpersonal relationships (Murillo and Lozano 2006; Miller et al. 2008). Although it is often stated that SMEs should not be thought of as mini-MNCs, their CSR commitment and efforts may be as prominent, but not as visible as those of MNCs (Vives 2006). There are multiple explanations for this, ranging from the formal categorization of CSR activities (Matten and Moon 2008) to the lack of scrutiny from the media (Jenkins 2006). Additionally, an important aspect in which SMEs differ from larger companies is that SMEs tend to use looser structures for control, with

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<sup>3</sup> We orient our interpretation of SMEs in accordance with the official definition set forth by the EU. The EU defines SMEs as enterprises that comprise fewer than 250 employees with a maximum turnover of 50 million Euros (EC 2005).

less focus on documenting transactions, procedures and standards (Jenkins 2004; Fassin 2008; Spence 2007).

SMEs are at times presented as unlikely change agents for responsible production in GSCs (Jorgensen and Knudsen 2006). This inability is frequently attributed to lack of both bargaining power to suppliers (Lepoutre and Heene 2006) and internal motivation (von Weltzien-Hoivik and Shankar 2011). They may also experience difficulties in influencing their suppliers to reduce negative environmental and social impacts (Ostlund 2014). Buyer brands and suppliers are exposed to various stakeholder demands in both directions, upstream and downstream, which lead to emerging ambiguity (Pedersen and Gwozdz 2014). In fact, SMEs may act as change agents, especially in terms of rule-keeping (Jorgensen and Knudsen 2006).

There are multiple perspectives of how to view SMEs. They can be seen as either forward-thinking actors, or as laggards reacting slowly to the discourse on responsibility. The former view is consistent with an entrepreneurial disposition and drive, and potentially viewing them as social enterprises – i.e., that a part of their mission and vision is driven by a will to do good. SMEs can also be frontrunners in the race towards sustainability.

#### TRANSLATION OF RESPONSIBILITY

CSR is frequently analysed in terms of institutional theory and there are multiple accounts of the institutionalization process of CSR and its practices (Jutterström and Norberg 2013). This approach may be helpful in understanding the implications of embeddedness in a particular institutional, social and cultural context. However, what is rarely broached is how such practices are translated as they travel (Tempel and Walgenbach 2007). For example, when codes of conduct travel, they are translated and re-embedded into a new context. Translation highlights the active rather than passive role of actors in spreading practices and ideas (Czarniawska and Sevón 2005). The travel results from ideas being picked up, repackaged into objects and artefacts, conveyed to places other than where they emerged, and re-embedded into new settings (Czarniawska and Joerges 1996). In this process, ideas and institutions do not morph spontaneously, but rather derive from translations. Local institutional settings, embedded actors and time all contribute to the understanding of how ideas, institutions and knowledge flow. Frequently, CSR rules are very vague in order to allow for a multitude of situations,

contexts and engagements, leading to heterogeneous translations (Frostenson 2013). The main research question addressed in this chapter is how SME buyers can organise CSR in the GSC and thereby bridge regulatory gaps and follow rules. Hence, we draw on the concept of translation (Czarniawska and Sevón 2005) in order to understand the conveyance of the idea of CSR from SME buyers to their suppliers through the artefact of the digital tool.

### The case

We study a Swedish company's implementation of a device for allowing training on responsibility and workers' rights in the textile industry.

The textile industry is a highly mobile industry, with a presence on every continent (Romani-Rinaldi and Testa 2014), which can result in institutional voids and conflicting legislation and norms. There is thus a need for some form of transnational governance and so actors organise to jointly undertake this endeavour. The lacuna of regulation has led to unprecedented forms of (transnational) governance, regulation and organising of responsibility. The Swedish textile industry has an estimated turnover of 206 billion SEK, 129 billion SEK of which corresponds to the largest retailers. Nevertheless, a large part of the Swedish textile industry is constituted by SMEs, the majority of which outsource their production globally (Mouwitz and Svengren-Holm 2013).

The Swedish government, Swedish companies and other actors have realized the importance of transition and have therefore engaged in various forms of organising sustainability. Scandinavian companies in particular have long been held in high esteem by their peers when it comes to matters of engaging with responsibility and sustainability (Strand et al. 2015). This characteristic is naturally related to the disposition, attitudes and motivations of SMEs in seeking to cultivate more responsible GSCs.

#### THE ROLE OF SMES

Similar to other industries, SME buyers have a low-profile but important role in the textile industry (EC 2016) as they account for the majority of the buyers in the field. Yet, when it comes to issues of responsibility, they hold little influence in terms of persuading their suppliers to adopt CSR; they seldom participate in roundtable discussions such as multi-stakeholder initiatives; nor do they frequently engage in cross-sectoral collaborations or make an effort

to communicate their CSR efforts (Morsing and Perrini 2009). It is thus difficult to identify ways that SMEs can organise in order to overcome these challenges in contexts devoid of enforced regulation on issues of CSR.

#### CONTEXT OF REGULATORY GAPS AND PRIVATE SELF-REGULATION

China, Bangladesh and India are the leading exporters in the global textile industry. China is the largest player and in 2013 accounted for 37 per cent of the total textile exports traded around the world (WTO 2014). With labour costs soaring in the past 15 years (Schumacher 2015), China is no longer the cheapest country to produce in; with the economic downturn, production is moving to emerging markets such as Myanmar and Vietnam. The setting we studied for introducing the digital tool is the Chinese supplier context. Although there has been increased legislation pertaining to both environmental and social matters in China – most notably, the minimum wage has risen substantially in the past decade (OECD 2012) – there are still numerous examples of infractions in these domains. Further, the existing system of implementing and controlling codes of conduct through third-party auditing has been deemed unsatisfactory (Egels-Zandén and Lindholm 2015). Indeed, the relationship between suppliers and auditors is frequently referred to as a game of cat and mouse in the literature (Locke 2013). It is thus of utmost importance to investigate ways in which buyers with relatively little economic influence, such as SMEs, can organise CSR.

The most pressing labour issues remain the use of overtime and labour unions, e.g., workplace dialogue. It is estimated that workers have little awareness of existing legislation and their rights (Wells 2009). Under the Chinese labour laws dating to the mid-1990s, the regulation on overtime stipulates that employees can work no more than eight hours per working day (with certain exceptions), and can work no more than 36 hours of overtime per month (Shira 2015). However, as there now is a labour shortage, authorities routinely turn a blind eye to overtime practices that fall afoul of this law (Chu and Davis 2015). Further, many factories may compete on the amount of overtime they can award to workers (Mishkin 2013). Additionally, factories are seeking out new populations of employees such as recruiting students. However, those between 16 and 18 who are eligible to work are protected by further restrictions such as limits on night-time work and overtime. This incurs costs such as severance pay, which sometimes is not paid out by the factories. When it

comes to labour union participation, there is only one state-mandated labour union. As a result, China has not ratified the International Labour Organization Convention 87 on labour unions, on which many codes of conduct are based, notably that of the Business Social Compliance Initiative (BSCI 2016).

The Chinese context thus presents multiple challenges for buyers wishing to pursue more responsible practices. It is considered difficult for an SME to influence a supplier to act in a more responsible manner. There are notable exceptions in which SMEs have done so, and thus have become de facto rule-setters (Egels-Zandén 2015). However, in order to address the challenges facing the large number of SMEs that do not have that type of agency and internal motivation, and instead wish merely to abide by and follow rules (Egels-Zandén 2015), we now turn to investigating the organising elements that potentially allow them to do so (Ahrne and Brunsson 2010).

#### THE SOLUTION: THE DEVICE COMPANY (DC)

The DC is a Swedish enterprise with headquarters in Stockholm and Hong Kong. It was founded by two Swedish entrepreneurs who had prior experience working in the textile industry. It offers a digital training service designed in collaboration with global buyers and suppliers to add measurability and transparency to social responsibility efforts. We regard the DC as a classic example of a hybrid SME social enterprise<sup>4</sup>; its mission states, 'We help global buyers to manage risk, help suppliers to generate business and in the process train millions of workers on their rights and responsibilities' (website: 'TheDeviceCompany'.se).

The company was founded in 2013, and in early 2014 the first prototype of the digital training service was pilot-tested in Bangladesh. This enabled the founders to investigate the potential of their engaging, modern technical solution for learning about work-related responsibilities. The pilot test was perceived as being successful, so henceforth the founders decided to focus on product development and invested to grow their business. In early 2016, the company counted a team of eight employees and 19 Western business partners, predominantly Scandinavian, and 50 Chinese factories currently using the tool with more than 3,755 employee and managerial training sessions

<sup>4</sup> Peredo and McLean (2006: 64) define social enterprises as those aiming at creating both social and economic value 'in some prominent way'.

completed as to date. The DC currently operates in multiple locations in China and is in the process of expanding its business activities to Bangladesh.

The founders have both worked in the Scandinavian textile industry, with a focus on supply chain management, social sustainability and educational training of workers. Inspired by their experiences, the two founders teamed up to work on a solution bridging the social responsibility gap between Western fashion companies and their faraway first-tier suppliers. Thus, their digital training service resulted from their industry learnings and their knowledge of the lack of tools to directly address social and environmental issues in a direct and measurable way through e-learning. According to them, e-learning is currently widely exclusive to top managers' trainings. Furthermore, the DC is on the verge of launching a portal, that allows buyers and suppliers to share information on these issues.

However, in order to reach out to workers worldwide, the mission of the SME is formulated around the idea of enabling workers in the GSC to learn about their rights and about safety; the founders have a goal of reaching two million workers by 2020. Additionally, they wish to contribute to the measurability of the knowledge level at the workers' level, as well as to add transparency for buyers in the GSC.

The aforementioned gap applies especially to SMEs' buying companies, as these often claim to have little bargaining power or leverage over their suppliers. The DC's vision pertains to simplifying the process of organising for sustainability, particularly for SMEs and their suppliers and buyers, as well as consolidating power for small buyers and suppliers to enable them to market their performance, simplify their reporting and auditing duties, and allow for easy sharing of reports with customers. Thus, this also allows suppliers to generate business through the tool; with the support of the DC, the supplier can perform trainings at any time, ultimately leading to stability, responsible production, and economically advantageous long-term relations.

#### THE DIGITAL DEVICE

The content of the device is based on guidelines from the BSCI, International Labour Organisation (ILO) conventions, local laws and experts in the field. It constitutes a baseline for the labour rights that all companies need to take responsibility for, tailored to local contexts. Since the ILO convention is not ratified, the device adapted the Chinese national law regarding labour repre-

sentatives and workplace dialogue. Furthermore, in collaboration with local suppliers, the device has been using the national education system's emphasis on 'trick' multiple-choice questions, making it harder to answer correctly. When it comes to other local contexts with low literacy, the focus is on making it user-friendly for illiterate users (IT Manager, DC).

The convenience of the device is frequently highlighted by the DC. It can be brought home by the employees, it is entertaining, it can be played alone or in groups, 'the movies are designed like Chinese soap operas' (Founder, DC), players are awarded golden stars and the format resembles the game show 'Who wants to be a millionaire?'. Frequently, workers in China are migrants, far away from home, working long hours and with little free time and few sources of amusement. With the device, they are offered entertainment, combining usefulness with an engaging leisure activity. Previously, this type of educational training has only been possible in-house, during working hours, incurring a significant financial and opportunity cost for the employer. However, the modern concept of storing content on a portable device allows workers to 'borrow' it from the employer and educate themselves during non-working hours.

The tool aims at building knowledge among the workforce and raising awareness of their rights. Ultimately, the tool distinguishes itself from classic training films or training sessions, because the tablet stays with the factory and workers can benchmark their learning over time in the form of a quiz game. Furthermore, the Device is not a testing tool. Workers can use it anonymously, without feeling monitored by their supervisors. Furthermore, as the tool has been developed in close collaboration with both buyers and suppliers, partners and factories have reported that they experience a feeling of ownership vis-à-vis the contents and the usability of the DC.

### **How we studied 'partial organising'**

Both authors followed the launch of the digital device in China. The data collection was conducted predominantly through semi-structured interviews over a period of six months in Sweden and China. Furthermore, interviews were held with the two founders and the IT manager of the DC as well as with involved managers and workers at two of the involved suppliers. The empirical data collection for this paper entailed a primary exploratory research method, which involved following the introduction of a tool for allowing more

transparency and measurability of social responsibility aspects in GSCs. We also made use of secondary materials such as websites and movies, as well as observing the use of the device itself. Thus, we conducted an explorative case study of partially organising CSR in the GSC. The case involves an explicit effort to organise social responsibility and it highlights the efforts involved and elements used in organising CSR.

At the DC, the two founders of the company were interviewed together, as no other arrangements could be made, which enabled them to compare notes and allowed us easily to see where their ideas diverged, although they largely corroborated one another. The IT manager, who has been with the company from the start, was identified by the founders as a key actor in the company.

At the two suppliers, relevant managers and, if applicable, owners were interviewed separately and workers were interviewed in groups so as to avoid singling out any of them. At all times, the two authors were both present, along with an interpreter. The interviews were held in English when possible and translated from Chinese when necessary. All interviewees agreed to have the interviews recorded under the condition of remaining anonymous. In a further step, the recordings were transcribed and where needed translated by professionals.

After transcribing the material, the contents were then screened for completeness and were then coded independently by both authors. Both authors used the software program NVivo in the coding process. The whole set of data contains qualitative material, comprising ten semi-structured interviews, memos written during the coding process, as well as case descriptions which were available on the Internet until December 2015. The data was analysed using grounded theory techniques (Glaser and Strauss 1967). With our particular research question in mind, the material was coded to allow for developing stable first-order codes. We systematically compared and contrasted 75 codes. This intensive iterative process, which included a review of the literature, led us to concentrate on a selection of ten codes. This process is illustrated in Appendix 1, in Table 1, with content examples for all codes. This approach allowed us to establish the importance of organisational elements which can be considered as an adequate framework for explaining the case of SMEs and their way of making use of partial organisational elements to translate their view on CSR to their faraway business partners.

The specific case, as described below in further detail, enables us to explore the observed phenomenon of partially organising for Scandinavian-driven CSR from several perspectives. Due to the strongly expressed wish of some of the respondents, we treated all interview data as confidential via the use of pseudonyms.

### Framing the case theoretically

Much has been written about the sustainability challenges in GSCs with transnational regulation gaps; due to this situation, organising responsibility must transcend national and organisational borders. It is frequently highlighted that global sustainability standards be based on a recognition of local contexts (Boström et al. 2015). The digital device studied in this chapter represents such an attempt, and we thus find it revelatory for understanding how the use of certain organisational elements allows for translations of CSR views and, potentially, a resulting shift of responsibility from buyers to suppliers.

In this chapter, we identify all actors involved as individual complete organisations that are connected through contractual business-exchange relationships (i.e., purchasing or service agreements). We theorize that buyers, suppliers and other actors in the supply chain benefit from making use of organisational elements (i.e., membership, hierarchy, rules, monitoring and sanction) to translate the Scandinavian view of CSR to Chinese business suppliers.

As mentioned previously, Western brands increasingly either anticipate or react to stakeholder pressure and drive their CSR agenda at their suppliers' level. Stakeholder pressures include a growing emphasis on accountability and transparency (Börjeson et al. 2015). These external pressures are sometimes the main drivers for initiating the organising for CSR activities. SMEs experience difficulties in implementing their views on CSR as they tend to lack leverage over their suppliers (Helin and Babri 2015) with regard to implementing ideal guidelines or codes of conduct, for example.

Nevertheless, once a SME has crystallised and codified its CSR views, then five critical implications are suggested for partial organisations: 'decisions constitute attempts, dramatize uncertainty, offer explanations, highlight the significance of individuals and dramatize human control' (Ahrne and Brunsson 2010: 8). So how does this play itself out in our example?

If a Western brand decides about its goals and seeks to cooperate with its suppliers, then the decision creates an environment for a specific order. However, this decision does not necessarily mean that this order is, or will be, accepted by all parties involved. This discrepancy between decisions, [non]-agreement and [non]-compliance between buyers and suppliers has been studied by several authors (see Börjeson et al. 2015). The next implication is that decisions create uncertainty (Luhmann 2000). When future goals and objectives, which vary from the current reality, are applied and undertaken, then these choices can be interpreted as potential threats to the organisations and therefore can trigger a reluctance to accept or comply among some parties. On the broad spectrum of possible CSR goals, Scandinavian CSR agendas are considered to represent the more ambitious side of the spectrum, due to the fact that they are often resource-intensive goals, such as monetary investments, changes in management systems and practices or alterations in procurement strategies (Perry and Towers 2009). Even though suppliers might regard CSR agendas as important and support such goals, at least in principle, they might continue to lag behind in practice (Carter and Rogers 2008).

Furthermore, decisions function as explanations (Ahrne and Brunsson 2010). If a CSR strategy is at least partially organised, then it is easier for organisations to transparently track the order of logic and decisions. In the relationship between buyers and suppliers, explanations can be perceived as making it easier to solve, for instance, questions of accountability, since CSR agendas and their tasks by definition go beyond basic requirements and therefore are often organisation-specific. Due to the fact that the sustainability movement in the textile industry is a rather recent phenomenon, social rules and norms have not yet had time to be established (de Brito et al. 2008). Related to this, the focus on one organisation, or one person, respectively, represents another challenge for CSR. Individual organisations might lack legitimacy when trying to drive CSR matters. As such, an individual organisation, especially in the case of a SME, needs to achieve legitimacy before undertaking such an initiative, and often does so by organising CSR in collaboration with others. Lastly, decisions dramatize human control, which means that responsibility is assumed by the decision maker. However, we theorize that partial organising for CSR agendas facilitates the transmission of accountability for CSR achievements to the other end of the business relationship.

Taking these decision processes into consideration, we henceforth contend that CSR views can be conceptualized as partial organising (as shown in Figure 1).

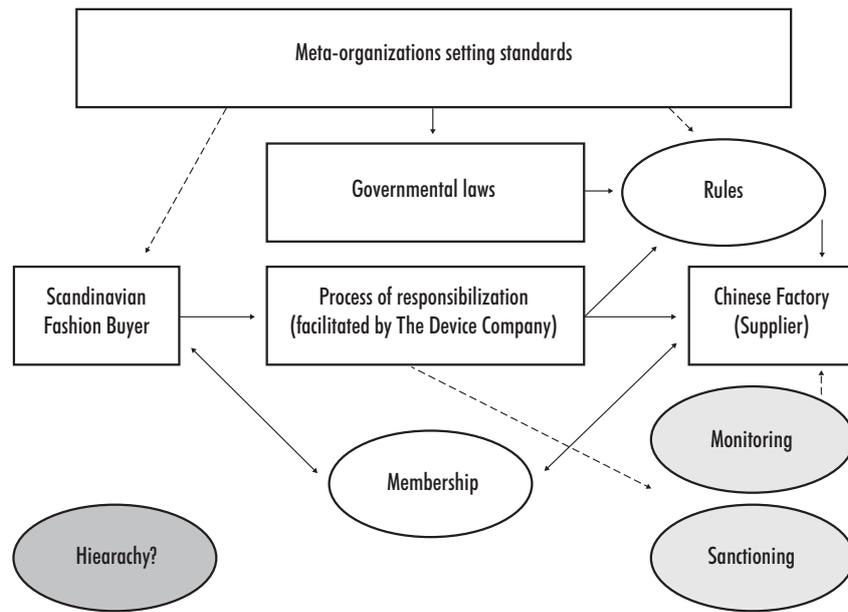


Figure 1: Model for 'Partial Organising'

The restriction to a few elements of complete organisations implies the existence of hurdles. However, in the following paragraphs, we highlight certain organisational elements as being key for organising CSR, thereby making sense of the appropriateness of certain elements for the translation of CSR views from Scandinavian fashion buyers to their suppliers.

Membership can be seen as involving the mutual agreements concerning closed relationships. There need not necessarily be interactions between the players, or recognition of some common interests between actors. Membership is used as an element to establish the direction of a decision – who is it for? It can be very important for implementing rules or a new order and thereby ensuring compliance. The boundaries of membership matters a great deal in the process of attempting to create a new order. One possible desired

outcome of establishing membership is thus ensuring compliance with rules, and it is possible that there is a loop between compliance and how much one organises.

The DC has a formal membership base; there are contractual agreements with fashion buyers with regard to the usage of the device. There have been two 'introductory' meetings in China, organised by the DC, with local Chinese governments, Chinese universities, fashion buyers and their currently contracted suppliers. The two meetings were organised with two primary goals in mind. First, they sought to bring together all parties involved, especially those who were soon to be enrolled in the circle of active users of the device. Second, the two meetings were held in order to give the Scandinavian fashion buyers the opportunity to make their view of CSR clear to their suppliers and to generate a common understanding of these issues. Scandinavian fashion buyers that could not attend were given the opportunity to share their views in a professionally produced movie clip created around the theme of 'the DC bringing business, knowledge and engagement'. Despite that, it was not clear if suppliers that could not attend were given the same opportunity. The founders of the DC explicitly stress the key significance of 'shared ownership'.

At the moment, the cost for the use of the device is placed on the Scandinavian fashion buyers, whereas in the initial pilot testing phase, suppliers had to commit their time and allocate time for employee participation in order to allow for implementation. In the future, the DC, as well as the brands participating, regard it as a positive that the suppliers will also pay a fee for the use of the device, in order to further enhance the sense of buy-in and 'shared ownership'.

What we want to do in the business model already - we always tell the buyer [Scandinavian fashion brand] that we believe you should share the cost. [...] If you are a supplier and you need to pay for it, you will feel much more valuable - I have paid for it, let's do something with it. So we believe that is the key.  
(Founder, DC)

Next, the element 'hierarchy' sorts the responsibility of who has to make what kind of decision. By leveraging hierarchy as a tool, an organisation may be able to monitor and impel the other organisation into compliance. Furthermore, hierarchy connotes power. With power, however, comes responsibility.

A fashion buyer can deliberately refrain from using the element of hierarchy, because it would make them accountable for [non] compliance. With hierarchy, they would assume responsibility and follow-ups on their CSR agenda would be a prerequisite for working together. If they abstain from using the element of hierarchy, then the organisation on the other end of the business relationship, namely, the supplier, has to assume responsibility for their compliance.

Even though there is no formal hierarchy (in that no one is formally seen as superior in the chain of command), both brands and suppliers have submitted requests and suggestions about the device's functionality and content. The suggestions advanced by the brands have mostly been related to the design and functionality of the device content and the subjects on which the device tests users (including codes of conduct), whereas the suppliers have had objections to the format of the content in terms of how the questions are phrased, or how many right answers there should be to each question. One could argue for the existence of an implicit hierarchy. However, since the core idea of the tool is to enforce the compliance of the supplier and create business for them, we contend that the element of hierarchy plays a rather strong role at the current juncture, but that in the future, its role is very likely to grow weaker as suppliers will use the tool independently of their contractual relationships. We believe that the business model speaks for the case that Scandinavian brands are the gatekeeper and main driver of enforcing workers' rights, but that eventually they will take a more passive role in the process.

I think...[responsibilization] takes a while. Slow progress, actually. Slow progress. Because it really depends on the investment of the company. Because of the company, we have to survive and show profit. [...] But of course, as a responsible supplier, we try to cover as much as possible. [...] (Agent, The Fashion Agency)

Another tool for justifying and legitimizing decisions is to create a set of rules. Rules limit the degree of uncertainty, increase consistency and aim to provide direction for the decisions that have been made. However, due to various reasons, such as cultural differences or differences in legal landscapes and business practices, CSR agenda efforts are exposed to a jungle of unregulated and non-standardized environments. It seems to be difficult for the organised firms to understand rules, monitor or execute possible sanctions. Sustainability has grown in importance over the last several years and even supra-national

organisations are advocating sustainability rules, as recorded in the COP21 goals set forth in September 2015 (EC 2016). In accordance with that, Karaosman et al. (2014) claim that the success of transmitting sustainability goals depends on using a common 'language'. This common 'language' can be interpreted as a common agenda, goal or rule.

The suppliers commit to making use of the device in their factories and providing it to their workers and managers. The rules are conveyed via the content of the device, in terms of following supranational guidelines/company-specific codes of conduct, but also in its long-term and ongoing usage.

I don't know too much right now, but I believe this will bring us more organised...training to our factory people, to let them know much more about the manufacturing, their rights, workers' [rights], human rights, the industry. It is good for both [of] us, for the management and the workers. [...] Because [it lets] them know that we are doing what we need to do. We must do our best to... [improve]. I believe it will help the relationship between workers and management...because in our work here, it is not good for them. It is difficult to get workers. If we can do better, it means we can keep our workers. [That is] good for us, to keep us in production. (Manager, Factory Alfa)

Further, rules lay crucial foundations for a monitoring and sanctioning system. Monitoring explains at whom decisions are aimed. Which actors are to be monitored and how are they to be monitored? It is also important to gauge how decisions about the results of the monitoring (grades, certifications, ratings) are to be used and spread. Accepting such decisions means different things for those who are being monitored and for those who are interested in the decisions made about the results. Furthermore, sanctions are indeed a very powerful tool to oblige another organisation to comply with other elements. However, compelling other organisations might provoke non-compliant behaviour and cause them to seek to organise themselves differently. Naturally, it is in the interest of a buyer to monitor and sanction their supplier for compliance. However, this implies additional cost and might motivate the buyer to remain at a fairly low level of organisation.

Presently, the device does not allow for full monitoring of its users. However, a planned upgrade will allow monitoring of the performance of the factory. The factories have to facilitate the training of their employees, yet they

have no means by which to measure their performance. This is intended to counter the potential misuse of the results, such as firing workers.

There are no formal sanctions tied to the use of the device – it should be entertaining, fun, and educational. Currently, participation is optional and voluntary. Suppliers are made aware that training their workers is beneficial for them, and if they choose to be transparent they could even generate business from it. No employee should be sanctioned for (un)monitored performance and no supplier should be either; unless they themselves decide to do so. Indeed, this capability is planned to be implemented in a future expansion of the device, via an associated online portal. Using this portal, the suppliers who so wish can be fully transparent and highlight their levels of engagement and the results of the use of the device. This will be optional, but those who feature their engagement transparently could potentially be rewarded in the sense that they may attract future business partners. This can be seen as a form of positive sanctioning, to be judged by customers more favourably if participating and meeting expectations.

So the supplier [still cannot see] any results for a person. [...] So there will be no way for the suppliers to see... that these are the ones that never understand the questions correctly. That is really unlikely that that will happen. [...] If you are a really good worker and have done a fantastic job, then the supplier can acknowledge you for that. [...] If you want to, you can go to the supplier and say, listen, I have [high] scores, you know. Give me a movie ticket, or (laughs) or whatever (laughs). Stuff like that. We are trying to build that into it as well. (Founder, DC)

In theory, it appears as if buyers would want to have explicit membership, hierarchy, rules, monitoring and sanctions. A more practical view, however, might reveal that elements such as hierarchy, monitoring and sanctions might not be very useful for implementing CSR agendas. Even though the advantages of establishing complete organisations include inherent legitimacy, certainty, and predictability, as well as the ability to own resources, partial organisations can be a deliberate choice for other reasons (Ahrne and Brunsson 2010). The literature about CSR, sustainability and responsibility, and more specifically in the context of sustainable supply chain management agendas, refers to voluntary, relationship-intensive, flexible and (to-date) non-binding strategic efforts. Thus, we argue that organising CSR between

buyers and suppliers is partial rather than complete. This can stem from the fact that some elements are either not needed or already exist and therefore do not necessitate complete organisational efforts.

Devices such as the DC constitute tools allowing such firms to ease monitoring and surveillance of suppliers further down the supply chain. Translations of such responsibility are made possible through, for example, the 'introductory' meetings on CSR held in China, movies accessible via the device, and the types of questions posed by the device, as well as the particular business case for CSR in the local context. Transparency and dialogue are hailed as the solutions for incorporating such a view on responsibility to suppliers (Laasonen 2012). Such normative views on CSR may not be possible to achieve quickly. Also, with the new extended directives on documenting and reporting CSR practices in Sweden finalized, based on the more restrictive EU directives, it is becoming apparent that there are governmental attempts to formalize CSR explicitly and extend CSR practices to smaller companies.

The arguments for engaging in this venture relate to the business case for CSR, with a particular focus on employee retention, a significant problem amidst the growing migrant labour shortage. This reinforces the view of environmental and social responsibility as of a calculative nature, and contributes to the increasing explicitness of CSR (Matten and Moon 2008) performed and translated in a global, but also Scandinavian setting. The suppliers are seen as the ones needing to take further responsibility for their actions and encouraged through 'shared ownership' to take part by following rules and being monitored.

Thus, partial organising may allow brands, and in turn SMEs and MNCs, to shift responsibility to their suppliers and even their workers (Shamir 2008). This is possible because the flexibility of enabling the device to be used after work hours allows for a shift in the costs associated with, and responsibility for, fulfilling obligations from the employer to the employees themselves; in a sense, the workers are being responsabilized (Rose 1999). Thereby, partial organising allows for increased compliance with rules, as well as a partial understanding of the concept of CSR, decoupled from its ethical roots, embedding it further in the calculative, 'win-win' business case for CSR.

## Conclusions

In conclusion, the DC device facilitates a platform for Scandinavian fashion buyers to partially organise for CSR at their Chinese suppliers. Based on our interviews, we argue that membership and rules constitute the most prominently used organisational elements. In this specific context, membership and rules build the framework that allows for conveying Scandinavian views on CSR to their Chinese suppliers.

Other organisational elements, such as monitoring and sanctioning, seem to play an increasingly important role. We reason that due to the novelty of the digital device, monitoring and sanctioning are partially used. Nevertheless, we are convinced that observing the progress of the two elements over time will reveal their growing importance. This belief is rooted in the current societal discussions around transparency and traceability.

Further, we perceive the organisational element of hierarchy as formally absent. Even though one might argue that hierarchy is present implicitly, we assign this rather to the country contexts of 'Scandinavian' and 'Chinese'. We observed a tendency on the part of the Scandinavian participants to assume the role of rule-setters. Through the interviews, it became apparent that the Scandinavians act as the experts in CSR and strive to pass this view on to other cultures, in this case the Chinese culture. When looking at specific phrases uttered by representatives of Scandinavian companies, as well as those of Chinese companies, a sense of hierarchy could be interpreted in terms of who wields more influence in making decisions. However, we contend that this is a form of direction of influence and attributable to the country contexts and the nature of the business relationships among the participants. Also, Scandinavian interviewees seemed to contemplate the device as enforcing democracy and equality among all actors involved. Opportunities to provide input are given to all actors. Further, suppliers are formally considered to be equal partners. We believe there is a possibility of the importance of this element becoming stronger over time due to the fact that the device ultimately aims at empowering suppliers to do the 'right thing', independently and for their own sake.

We found substantive diverging views on CSR between buyers and suppliers and observed subsequent attempts to translate responsibility. Furthermore, we found indications that an expected outcome would be that CSR

would be internalized and thereby responsibility could potentially be shifted from Scandinavian SME fashion buyers to their Chinese suppliers. In order to discern possible effects that this tool may have, we found the concept of partial organising useful. It allowed us to uncover which organisational elements were involved in this process. We found that membership was a strong premise to allow for such translations of CSR. The lack of formal hierarchy plays in with the Scandinavian egalitarian tradition, and allows for a more collaborative approach between buyers and suppliers. Still, the legitimacy afforded by rules in the form of international standards allow for further (partial) monitoring and partial sanctioning of suppliers and thereby ensure compliance and a shift of responsibility. The concept of partial organising for responsibility can thus be regarded as especially interesting for SMEs that wish to address CSR in their GSC chiefly by following rules, rather than setting them.

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## Appendix

Code	Example
Membership	‘Because we know from experience that if you get something for free it is not necessarily something you feel is valuable. If you are a supplier and you need to pay for it, you will feel much more valuable. I have paid for it, let’s do something with it. So we believe that is the key.’ (Founder, DC)
Rules	‘The written rules or regulations [are] really perfect.’ (Agent, The Fashion Agency)
Hierarchy	‘I think really working closely together with buyers to understand their needs, really [working] closely together with suppliers to understand their needs; we did so many interviews during these trips to China and Bangladesh. All together with middle management, with top management, and with workers, so really understanding the core partners in the business idea.’ (Founder, DC)
Monitoring	‘But now what we have to be careful with is, like I just told her this morning, you could add it in, for environmental protection, but this is a very big issue, isn’t it? We have to be careful because, factories may not be able to do it, because you would need to spend a lot of money on this issue, it could be a few million or over 10 million. It could be a million something, it’s not affordable by all the factories. So, if you guys write it down, add it in, some small factories are going to be eliminated right?’ (Main Manager, Factory Alfa) ‘And, uh, and you can check...so you can compare your suppliers and see, you know, how many times have they trained. And so on. And then you can go into more detail. And if you press on that one, you get to detailed information about this particular supplier. And so on. And this is also what the supplier would see when they log in. You know. So, so we just continue to build onto that service.’ (Founder, DC)
Sanctioning	‘The factories must be eliminated if they can’t do this. If we are doing this, at the end, it’s possible for you guys to have this back on you, do you understand what I’m saying?’ (Main Manager, Factory Alfa)

Chinese View on China	'So, compared with the other countries, China is one of the very typical countries of the CSR, because the government, they set up the regulation of the CSR [with] very high standards compared with others.' (Main Manager, Factory Alfa)
Chinese View on Scandinavia	'The Scandinavian brands are the leading brand following [this] kind of sustainable CSR. So for example, The Fashion Buyers A (Scandinavian) are one of the leading brands, and others such as The Fashion Buyer B (Scandinavian) and Fashion Buyer C (Scandinavian) also have the similar requirement. I think that this is the driving force, actually.' (Agent, The Fashion Agency)
Scandinavian View on China	'This is also something great for the suppliers, the suppliers in meetings with us. When we started with the QuizRR prototype, [we told them] we are a company; we are just like you. We are developing something that is good enough so that you could feel like this is valuable. All right, fine, but they were worried that we are some kind of initiative. Because there has been a lot of [that]. I think what they... really want to change is a feeling of being hunted. Instead of being a reactive partner, to be somebody who can be proactive and say, I know that these issues are important to you. Therefore, I have already done this. So this will be a carrot instead of a stick, as suppliers think that this is good.' (Founder, DC)
Scandinavian View on Scandinavia	'And on top of that, we had different brands talking. Like Clas Ohlson, Lindex, MQ, and actually Ax-stores, which is part of that group, but so they were allowed to talk about why it is important for them. And also showing that they were really proud that a lot of their suppliers joined the program and so on.' (Founder, DC)
Win-Win	'For us to be successful, we also need to make the tool successful for them, and [make] sure that they feel that this is actually driving their business to something better.' (Founder, DC)

**Table 1: Codes and Examples (Source: Own Illustration)**