

## HOW COLLECTIVE SUPPLIER BEHAVIOR INFLUENCES CSR IN BANGLADESHI APPAREL SUPPLY CHAINS

### BACKGROUND AND MOTIVATION



Local supplier corporate social responsibility (CSR)<sup>1</sup> represents a powerful tool to improve labor conditions in developing countries.

In recent years CSR, along with ethical motives and growing customer concern, has gained increased attention. In global value chain (GVC) literature, it is argued that CSR engagement yields several competitive advantages for suppliers. This includes higher working standards, increased interest and satisfaction of employees, customer trust and attraction and lastly, the functional upgrading of supplies.

Working conditions in many developing countries' supply chains continue to be poor and little is known about CSR drivers that originate at the beginning of global value chains. Bangladesh is the least developed country in South Asia; characterized by a traditional society where political power is retained in the hands of a few families and a limited capitalist class. In light of scathing criticism of its poor labor conditions, Bangladesh symbolizes a fundamental area of scrutiny. Yet it remains a preferred location of 81% of international apparel buyers due to its production capabilities and low prices, claiming undisputed importance as an apparel industry supplier.

Whilst the majority of studies focus on buyer-supplier relations – and often assume buyers have the ability to steer suppliers' behavior – some studies claim that suppliers actually don't want to engage in CSR.

Against this backdrop, this Misum Academic Insight shows how suppliers horizontal influence on each other shapes their CSR engagement and answers the following research questions:

1. *What is the effect of suppliers' collective behavior on individual supplier CSR engagement?*
2. *How can CSR engagement be increased among apparel industry suppliers in a developing country context using learnings from this case?*

### RESEARCH METHOD

Since CSR engagement is typically observed in large firms, suppliers involved have to fit a wider size-continuum. This trend increased the case sample's representativeness and depth of insight. The study combined in-depth interviews of major Bangladeshi first-tier apparel suppliers (firms selling to international buyers) with field visits and the theoretical lenses of network analysis and scenarios. Through the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knit Manufacturers and Exporters Association (BKMEA) 28 firms were identified and 32 interviews with business owners and top managers were conducted in 2016. The questions were targeted towards the perceived benefits and perils of CSR engagement, and how firms engage when business owners acknowledge CSR as strategically valuable. The data was analyzed regarding certain network characteristics and socio-cultural aspects. These aspects include strong social norms and normative pressure, geographical position, firm size, and information flow between firms and workers.

<sup>1</sup> CSR is defined as voluntary efforts of firms to enhance social or environmental standards beyond compliance with government and buyer regulations.



The study proposes that to understand the dynamics at play, suppliers must be seen as constituents of horizontal business networks rather than standalone actors.

Supplier networks represent a shared resource for protection. Collective behavior on CSR engagement is ensured through normative pressure and information gained through direct and indirect communication. This acts as a self-established social control mechanism to ensure network stability.

In the context of CSR, it emerged during the interviews that individual suppliers are hesitant to engage in respective CSR activities due to horizontal influences exerted by the other suppliers in the business community. The cataclysmic 2013 Rana Plaza<sup>2</sup> incident and the ensuing protests illustrate why many firm executives were concerned by CSR measures. Interviewees indicated that if single firms established CSR activities and heterogeneous guidelines, they feared it would fuel worker unrest in surrounding factories and would damage the community. As a result, they followed a homogeneous and collective approach to CSR, that is, they all agreed to adopt the same minimal CSR standards.

Whilst this provided some degree of safety for the business community, executives who wanted to provide more benefits to their workers beyond minimum standards were eventually asked to stop, leaving clear and negative implications for workers.

“Since communication is easy, we communicate with the factories around [...]. Sometimes I call on colleagues and ask what is their practice, or how is the planning or their Eid next month”  
(General Manager Administration and Compliance, Firm 23)

“If you, for instance, pay lunches and nobody else does...that is a problem. Don't do it. You have to adapt to the society [...]. Because then if anything happens [to the network], who will be responsible for that?”  
(Owner, Firm 27)

The degree of supplier collective behavior, more generally, depends on three major factors for a given industry: a) firm density/proximity, b) social norms, c) shared resources, and it is potentially very powerful in the developing context.

In the case of Bangladesh, apparel suppliers mainly perceive CSR as a compliance pressure. With strong supplier networks, unilateral CSR engagement that leads to heterogeneity of labor practices is judged as problematic.

As depicted in Table 1 and by the two representative quotes, 73.3% of the suppliers confirmed behaving collectively while ensuring their alignment to others' labor practices, and 80% perceive CSR engagement as a potential problem. Only 26.7% engage in CSR officially, while 73.3% admitted to engaging in CSR but without divulging it and avoiding exercising influence on others.

Supplier size (number of employees)	Number of interviewees	Alignment with others (collective behavior)	Official CSR	Belief that CSR leads to unrest	CSR perceived as strategic
<1000	10	10 (100%)	0	8 (80%)	3 (30%)
1000 - 1999	7	6 (85.7%)	1 (14.3%)	7 (100%)	3 (42.8%)
2000 - 5000	7	5 (71.4%)	2 (28.6%)	5 (71.4%)	3 (42.8%)
5000	6	1 (16.7%)	5 (83.3%)	4 (66.7%)	5 (83.3%)
<b>TOTAL</b>	30	22 (73.3%)	8 (26.7%)	24 (80%)	14 (46.6%)

Table 1: Main results from interviews

<sup>2</sup> The incident refers to the Rana Plaza building collapse which killed 1,133 workers and injured thousands more (Accord, 2016). Retrieved from <http://bangladeshaccord.org/about/>



Based on theoretical implications and empirical analysis, the authors outline four scenarios of how suppliers can unilaterally engage in CSR without necessarily raising worker unrest and destabilizing the business community (Figure 1). By understanding that suppliers influence each other, we can view CSR as collective efforts that need to be managed as a whole.

Most larger suppliers understand CSR as a competitive advantage and engage in it officially, clashing with the network's collective behavior and creating negative pressure for smaller suppliers. International buyers should therefore concentrate efforts on spreading CSR homogeneously among suppliers instead of single case engagements. This could entail:

- (1) **Creating awareness through wider circulation of information on CSR benefits** (e.g. higher wages, free meals, education, or housing) to actively counteract the concerns around compliance.
- (2) **Working with collective institutions, such as BGMEA and BKMEA in the case of Bangladesh,** to create a collective understanding of how CSR engagement can be informed on a larger scale. This would also help to avoid tension and political conflicts in the future.

At the same time, BGMEA and BKMEA and many buyers have shown little interest in those collective efforts. Most buyers in Bangladesh have been decreasing prices after Rana Plaza and focusing on their own minimal standards. Big international buyers (and their customers) therefore can act as important global institutions. As the results imply, they should be careful about working on standards only with their own suppliers. Instead, they could work together through multi-stakeholder initiatives and push CSR more collectively. Western stakeholders could familiarize themselves with "leading" suppliers in Bangladesh that can drive CSR in the whole network yet are often unknown because of their B2B position in the GVC. However, without the acknowledgement of local (BGMEA and BKMEA) and global (buyers) institutions, they are unlikely to drive change on their own.

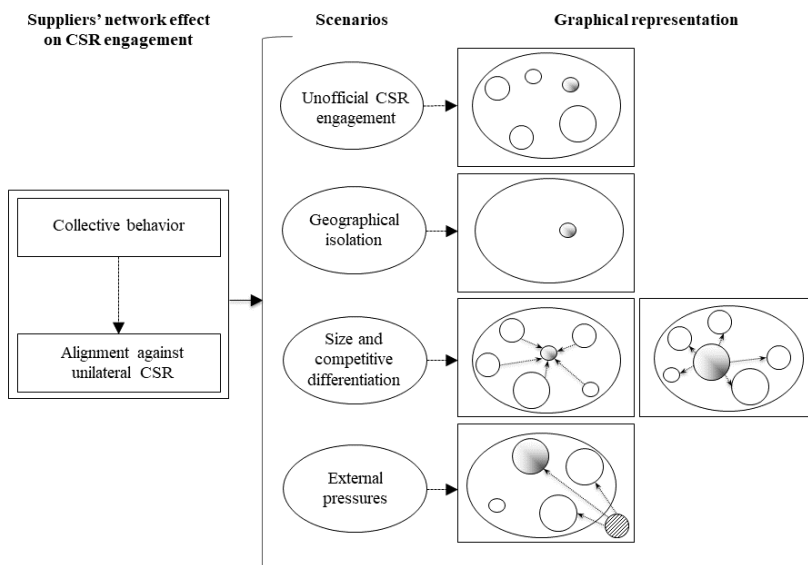


Figure 1: Scenarios for unilateral CSR engagement based on firm and network characteristics

Lastly, this study suggested a variety of opportunities for further research. One could examine the relationships among different types of suppliers to reveal opposite influences and tensions, potentially in different socioeconomic contexts and/or industry contexts. Keeping in mind the impact that CSR has on labor conditions, interviews with different stakeholders, including workers, can be used to substantiate supplier claims and offer an individual level of analysis that is lacking in developing countries.

Suppliers in developing countries are embedded in a context of opposite traditions and sociocultural variables that must be considered if CSR is to find local credence.

## ACADEMIC REFERENCE

Fontana, E. and Egels-Zandén, N. (2019). "Non Sibi, Sed Omnibus: Influence of Supplier Collective Behavior on Corporate Social Responsibility in the Bangladeshi Apparel Supply Chain". *Journal of Business Ethics*. 159: 1047–1064.