# Exploring Legitimacy and Exposing Legitimising Myths: A Critical Analysis of Corporate Social Responsibility in Global Supply Chains

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*"[...] theory never aims simply at an increase of knowledge as such.*
*Its goal is man's emancipation from slavery"*

(Horkheimer, 1972, p. 246).

**Abstract**

This research critically explores corporate social responsibility in global supply chains. It specifically focuses on efforts by companies and civil society organisations to redress labour and human rights abuses. It considers the significance of global supply chains as the dominant mode sourcing and manufacturing, and the human costs associated with this production regime. The overarching aim is to explain why labour and human rights abuses in global supply chains are a recurring feature, despite a range of voluntary and self-regulatory initiatives that seek to address these issues. The objectives of this research are twofold. First, to empirically explore why corporate social responsibility has not structurally addressed exploitation in global supply chains. Second, to examine to what extent legitimacy theory can explain this failure and how this theory can be expanded to increase its explanatory power.

The starting point of the analysis is the assumption that the corporate social responsibility paradigm is entwined with neoliberal ideology. As a voluntary and self-regulatory corporate mechanism, it seeks to balance social, environmental, and financial interests guided by the invisible hand of the market. This research examines the effectiveness of the corporate social responsibility paradigm and exposes its flaws. It furthermore focuses on developments that contest the dominant corporate social responsibility paradigm. Specifically, the research explores the United Nations Guiding Principles on Business and Human Rights, which seek to overcome the dichotomy between voluntary and binding approaches to mitigate the social and environmental impact of companies. It also examines the rise of multistakeholder initiatives, in which companies and civil society organisations work together.

This research examines how stakeholders question organisational legitimacy and how companies manage threats to their legitimacy. It makes a practical as well as a theoretical contribution. It identifies shortcomings underlying current approaches to exploitation in supply chains. It explains that reputational damage campaigns by civil society organisations are not an effective long-term strategy in improving working conditions, as companies can neutralise these threats without making substantive changes. The research finds that innovative approaches face similar challenges to conventional strategies. These are marked by an ongoing reliance on corporate voluntarism, self-regulation and market mechanisms to solve labour and human rights abuses. The introduction of legitimising myths broadens the use of legitimacy theory in a management context. This research advances the analysis of stakeholder dynamics in addressing supply chain abuses, and it explains how social agents challenge and maintain the dominant corporate social responsibility paradigm.

**Preface**

Research does not take place in a vacuum. While it is good practice to strive for objectivity when conducting research, I believe that completely value-free research is unrealistic. I will disclose information about my experiences with the topics discussed in this research, with the aim of informing the reader of my professional experience, ideological persuasion, theoretical inclinations, and potential biases. First, while studying archaeology and sociology at the University of Amsterdam, I was influenced by thinkers such as Bourdieu whose aim was to critically analyse societies, as well as by authors such as Foucault who questioned aspects of society that are accepted without question. These authors inspire my critical approach to the topics at the centre of this research, which are supply chains, civil society organisations, multistakeholder initiatives, labour standards and human rights.

My first encounter with supply chains was in 2006, while working on the Greenpeace campaign "Eating Up The Amazon" (Greenpeace, 2006). This campaign exposed deforestation in the Amazon rainforest in Brazil. The strategy of the campaign was to target retailers such as McDonalds. It showed that deforestation was accelerated by the creation of livestock farms and soya plantations, both of which produce commodities – some with the use of forced labour - that are key to fast food supply chains. The fast food companies responded to Greenpeace's demands by developing alternative animal feed and meat supply chains. At Greenpeace, I was also involved in the "Green My Apple" campaign. This campaign asked consumer electronics giant Apple to phase out toxic substances from its product range. Apple declined to respond to Greenpeace's demands. After several months a green apple appeared on the Apple website with the heading "A Greener Apple". It linked to an open letter from Steve Jobs declaring a change in policy – be it without any reference to Greenpeace (Greenpeace, 2007).

These two Greenpeace campaigns prove the influence that the supply chain activities of multinational companies have on the environment and on people's lives. The sourcing activities of McDonalds contributed to deforestation and the use of forced labour in the Amazon region. Apple's end-of-life products – and those of other retail electronics manufacturers - were processed in hazardous circumstances in developing countries. The outcomes of these campaigns showcase the power of civil society organisations in pressuring multinational enterprises in meeting their demands. Since my involvement in these campaigns, I have had an ongoing interest in the role of civil society in holding companies to account for the negative impact of their operations and supply chains.

After moving to Australia in 2011, I joined the Centre for Corporate Governance at the University of Technology Sydney. I also joined the think tank Catalyst Australia, researching corporate social responsibility and corporate governance (Boersma, 2015a, 2017b; Boersma,

Lynch, & Schofield, 2014; Boersma, Schofield, & Swinnen, 2013; Chelliah, Boersma, & Klettner, 2015; Clarke & Boersma, 2017, 2016; Klettner, Boersma, & Clarke, 2012; Klettner, Clarke, & Boersma, 2013, 2014a, 2014b; Kaine & Boersma, 2018). From December 2014 to December 2015, I was part of a multistakeholder "Supply Chains Working Group". This group was initiated by the Australian Federal Attorney-General's Department. It explored strategies to address exploitation in supply chains, including slavery and human trafficking. I participated in ten discussions as a civil society representative on behalf of Catalyst Australia, together with individuals from government, industry, civil society, and academia.

In December 2015, the working group presented the Minister of Justice with nine recommendations, after which the working group was disbanded. In the following months, the Australian Government failed to respond to the working group's recommendations, despite continuing abuses in domestic and overseas supply chains of Australian companies during and after the period in which the working group convened (O'Brien & Boersma, 2015). After making numerous unsuccessful inquiries through official channels, I attempted to get a response from the government by highlighting its inaction in the media. I wrote an opinion piece published in The Sydney Morning Herald (Boersma, 2016) on the third anniversary of the Rana Plaza factory disaster in which over 1,100 people were killed. I pointed out why the inaction of the Australian government is inexcusable, and argued that relying on the coincidence between business interests and the interests of workers is naïve. Still, the government failed to respond.

In response to the continuing non-action, I published a research paper titled "Human Rights in the Supply Chains of Australian Businesses: Opportunities for Legislative Reform" (O'Brien & Boersma, 2016). The paper analysed legislative and regulatory developments occurring in other countries and jurisdictions and identified opportunities for reform in Australia. Without leaking the recommendations made by the working group – which up until that time remained confidential, the paper strongly implied that the progressive developments in other countries and jurisdictions formed a basis for the working group's recommendations. The research paper was accompanied by two articles published in the Australian Financial Review (Ingram, 2016; Riordan, 2016), which highlighted the government's slow response to the recommendations made by the Supply Chains Working Group.

Finally, in November 2016, the government responded to the recommendations. It would create awareness-raising materials for business; further consider the feasibility of businesses in Australia to report on their actions to address supply chain exploitation; examine options for an awards program for businesses that act to address supply chain exploitation; and explore the feasibility of a non-regulatory, voluntary code of conduct for high risk industries

(The Hon Julie Bishop MP, Minister for Foreign Affairs, The Hon Peter Dutton MP, Minister for Immigration and Border Protection, & The Hon Michael Keenan MP, Minister for Justice, Minister Assisting the Prime Minister for Counter Terrorism, 2016). The use of expressions such as "further consideration", "examining options", and "exploring feasibility" was underwhelming, particularly considering the long trajectory of inquiries into exploitation and human rights abuses in supply chains and the implications for Australia.

Ambitious recommendations based on developments in other jurisdictions were ignored in favour of modest activities and symbolic gestures. Several working group members and myself were disappointed and felt that our efforts had served to provide a legitimacy front for the government, who wanted to be seen as acting to combat slavery and trafficking in supply chains. On 15 February 2017, fourteen months after the working group was disbanded, the Attorney-General George Brandis asked the Joint Standing Committee on Foreign Affairs, Defence and Trade to inquire into and report on establishing a Modern Slavery Act in Australia. This had been the number one recommendation made by the working group in December 2016. In December 2018 a modern slavery bill passed both houses of Australian Parliament.

In 2016, I represented Catalyst Australia at a roundtable of civil society organisations. The roundtable was organised by the Australian Human Rights Commission and produced a joint position paper on a National Action Plan on Business and Human Rights (Australian Human Rights Commission, 2016). The paper presents several recommendations to the Australian Government on the implementation of the UN Guiding Principles on Business and Human Rights. As will become clear in this research, the Principles are an increasingly important tool in holding companies to account for the negative impact they have on society and the environment. The Australian Government has not yet progressed beyond calling for national consultation on implementing UN Guiding Principles on Business and Human Rights through a National Action Plan, showing itself to be a laggard rather than a leader.

In December 2016 I joined the Australian trade union United Voice. As a researcher I became involved in another multistakeholder initiative concerning supply chains: the Cleaning Accountability Framework (CAF). CAF is a collaborative certification scheme which aims to achieve better working conditions for cleaners in the supply chains of commercial real estate companies. After joining the University of Technology Sydney (UTS) as a lecturer in July 2017, I continued to be involved with CAF, among which through the further development of accreditation standards. In December 2017, the Australian Research Council funded a three-year Linkage project to further the cause of the Cleaning Accountability Framework (CAF). During the three-year project a group of academics at the University of Technology Sydney,

of which I am a part, will endeavour to extrapolate the multistakeholder model of CAF to other industries that grapple with supply chain labour abuses.

In October 2017, a research team at UTS of which I am part submitted a grant application with the Cotton Research and Development Corporation (CRDC). The application is titled "Strategies for improving labour conditions within the Australian cotton value chain". In March 2018, UTS was shortlisted by the CRDC and invited to resubmit a joint grant application together with a research team Queensland University of Technology, who submitted the other shortlisted grant. A joint proposal for a three-year research project was submitted in May 2018. The proposed project addresses strategies aimed at improving labour standards along global value chains in the context of resource limitations and institutional barriers. It proposes that multiple-stakeholder initiatives are key to the strategic enforcement of labour standards. It aims to produce an evidence-based toolkit that can help companies and their stakeholders improve labour standards compliance in the Australian cotton value chain.

This thesis brings together my professional and academic experience concerning supply chains, civil society organisations, multistakeholder initiatives and corporate accountability. While my experience at Greenpeace shows that civil society organisations can ostensibly make corporations change their behaviour, one of McDonalds biggest suppliers of beef has recently been accused of causing deforestation in South America (Johnston, 2017). Likewise, workers at Apple's suppliers are still exposed to noxious chemicals (Bloomberg News, 2018) and Apple's end-of-life products continue to pose to a waste problem (Garfield, 2017). Similarly, I have negative as well as positive experiences with multistakeholder initiatives addressing corporate malpractices: the "Supply Chains Working Group" being a lowlight, while the Cleaning Accountability Framework forms a highlight, although this initiative is not without its own challenges. Overall, addressing corporate misconduct and labour exploitation remains a significant challenge, and I hope that this research can help to inform future strategies.

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**Statement of Candidate**

I certify that this thesis, titled **'Exploring Legitimacy and Exposing Legitimising Myths: A Critical Analysis of Corporate Social Responsibility in Global Supply Chains'**, has not been submitted for a degree at any other university or institution other than the University of Technology Sydney.

This research comprises a **"thesis by compilation"**, which is a piece of research that is written by me. Assistance that I have received during the completion of my research is appropriately acknowledged, as have all sources of information and literature used in this thesis.

The thesis comprises a single manuscript that includes three peer-reviewed journal articles and four additional chapters. The introduction, chapter one, chapter two, and the final chapter are written specifically for this thesis, whereas chapters three, four and fix comprise published works. To comply with copyright restrictions, I have included the final drafts of my papers, prior to these documents going through the journal formatting and editing process.

The interview data used in this thesis was gathered as part of a research project for Catalyst Australia, prior to commencement of my doctoral studies. The University of Technology Sydney's Ethics Committee advised me to contact the interview participants with the request to use the data for his doctoral studies. All interviewees provided their consent in writing.

Martijn Boersma
Date: 22/02/2019

Production Note:
Signature removed prior to publication.

**Statement of Contributions to the Papers Contained in the Thesis**

| Paper | Contribution | Chapter |
|---|---|---|
| Clarke, T., & Boersma, M. (2017). The Governance of Global Value Chains: Unresolved Human Rights, Environmental and Ethical Dilemmas in the Apple Supply Chain. *Journal of Business Ethics*, 143(1), 111–133.<br><br>**(ABDC List: A; FT50)** | Overall 80%<br>Conceptualisation 70%<br>Data Collection 100%<br>Analysis 70%<br>Writing 80% | **3** |
| Boersma, M. (2017). Changing approaches to child labour in global supply chains: Exploring the influence of multi-stakeholder partnerships and the united nations guiding principles on business and human rights. *The University of New South Wales Law Journal*, 40(3), 1249 - 1274.<br><br>**(ABDC List: A)** | Overall 100%<br>Conceptualisation 100%<br>Data Collection 100%<br>Analysis 100%<br>Writing 100% | **4** |
| Boersma, M. (2018). Between Norms and Practice: Civil Society Perspectives on the Legitimacy of Multistakeholder Initiatives to Eliminate Child Labour. *Business, Strategy and the Environment,* 27(5), 612-620.<br><br>**(ABDC List: B)** | Overall 100%<br>Conceptualisation 100%<br>Data Collection 100%<br>Analysis 100%<br>Writing 100% | **5** |

**Acknowledgement**

**Terminology**

Corporate social responsibility (CSR) is a multi-faceted concept (Matten & Moon, 2008; Bondy, Moon, & Matten, 2012). The history and evolution of CSR is presented in chapter one. I will use CSR as an umbrella term, covering all the voluntary and self-regulatory activities that relate to the social and environmental impact of companies. Using a broad definition allows me to describe several activities, such as private governance of core business operations and of suppliers, as well as participation in multistakeholder initiatives. When discussing the CSR paradigm, I refer to the reliance on voluntary and self-regulatory initiatives to balance social, environmental, and financial interests, guided by the market rather than the law.

The term global value chains is used in addition to the term global supply chains (Gereffi, Humphrey, & Sturgeon, 2005). Both terms have in common that they describe cross-border flow of goods and services. In the introduction and all other chapters, bar chapter three, the term global supply chains is used. In chapter three, which includes the published article on Apple, the term global value chains is used. In the context of this research, both terms are used synonymously. Similarly, I am aware that the terms companies, businesses, and corporations have subtle differences. However, these differences are not of key importance to this research, and these terms are used interchangeably.

When using the term civil society organisations (CSOs), I refer to organisations that are both non-governmental and not profit motivated. The definition excludes government and excludes organisations with a primary profit incentive, or peak bodies made up out of organisations that are focused on profits. The definition of civil society organisations in this research includes organisations such as non-governmental organisations (NGOs) at the national and international level such as Amnesty International and China Labor Watch, while it also includes (religious) charities and national and international trade unions.

Finally, I recognise that terms such as labour standards, decent work, labour rights, workers' rights, and human rights all have different meanings. Yet in this research they are used interchangeably. Whenever using these terms, I refer to work performed under fair and non-exploitative conditions, voluntarily agreed upon by workers, and regarding widely accepted standards of work. The advent of global supply chains as the dominant mode of production has dramatically increased the number of scenarios in which corporate actions affect working conditions. I cast the net widely with the definitions, as adopting a narrow definition would exclude a range of scenarios featuring labour and human rights abuses.

**Outline**

This research comprises a single manuscript consisting of three peer-reviewed academic journal publications and four extra chapters. The introduction will foreshadow the functions of each chapter. It describes the influence of global supply chains and explains how this production regime links companies and consumers to a range of labour and human rights abuses. The introduction will set out the significance of this research by highlighting the limitations that characterise conventional responses to abuses in supply chains. The introduction will conclude with a description of the main research objectives, which are to reveal the shortcomings of CSR in addressing labour and human rights abuses in global supply chains; to identify how legitimacy theory can explain this failure; and to explore how the theoretical framework can be expanded to increase its explanatory power.

Chapter one consists of a literature review that provides the context for the overarching themes of this research. The review will trace the genesis of CSR, and show that CSR is an evolving and contested concept. The overview of the history of CSR will conclude with a discussion of CSR in the context of global supply chains. It will describe how global supply chains are associated with labour exploitation and have drastically changed the social footprint and the responsibilities of companies. Chapter one will also discuss the various approaches of companies and CSOs to avoid and remediate labour abuses in supply chains. It will conclude by discussing public and private approaches to supply chain exploitation. Specific attention is given to innovative initiatives that aim to overcome the dichotomy between voluntary and mandatory measures, and private and public responses to exploitation. I will furthermore examine where the strengths and weaknesses of these innovative approaches lie.

It will become clear from the introduction and chapter one that CSR is conceptually entwined with neoliberalism. As a voluntary and self-regulatory corporate mechanism, CSR seeks to balance social, environmental, and financial interests guided by the market. The neoliberal foundations of CSR become clear in the reliance on the role of markets and the private sector, and in the absence of government to control the social impact of companies. Linking the contemporary CSR paradigm to neoliberalism allows for a critical examination of the way in which it is said to operate. It allows me to question whether corporations can be held accountable for their social impact through market forces. I will also analyse associated concepts such as the social license to operate, and determine under what circumstances multistakeholder initiatives are effective in addressing labour and human rights abuses.

Chapter two contributes to the theoretical debate about CSR in global supply chains by discussing legitimacy theory and suggesting an expansion of this theory. Legitimacy theory can assist in exposing the shortfalls of CSR in global supply chains and can help to explain

why no structural improvements have been made to avoid and remediate labour and human rights abuses. I will expand legitimacy theory as it is currently used in a management context by integrating *legitimising myths*. This concept originates in social dominance theory. Legitimising myths are used to uphold or undermine social hierarchies and provide a justification for social phenomena. *Hierarchy-enhancing myths* serve to uphold the status quo, whereas *hierarchy-attenuating myths* are used to change dominant social paradigms. I will contend that there are several hierarchy-enhancing and hierarchy-attenuating myths associated with the concept of CSR which reveal its contested character.

Chapters three, four and five comprise articles that have been published by peer-reviewed academic journals. Chapter three centres around the paper "The Governance of Global Value Chains: Unresolved Human Rights, Environmental and Ethical Dilemmas in the Apple Supply Chain". It looks at Apple's flawed response to a decade of supply chain labour abuses. Chapter four centres around the paper "Changing Approaches to Child Labour: Exploring the Influence of Civil Society Organisations and the UN Guiding Principles on Business and Human Rights". It examines how CSOs and the human rights agenda have changed approaches to child labour in global supply chains. Chapter five centres around the paper "Between Norms and Practice: Civil Society Perspectives on the Legitimacy of Multistakeholder Initiatives to Eliminate Child Labour". This chapter deals with the tensions that exist within multistakeholder initiatives and the factors that influence their legitimacy.

Finally, chapter six will examine the findings of chapter three, four and five in the context of the literature review and theoretical framework discussed in chapters one and two. Legitimacy theory will be used to explain why CSR has failed to structurally address labour and human rights abuses in global supply chains; and legitimacy theory itself will be expanded with the inclusion of legitimising myths. The chapter will be concluded by a critical discussion of CSR using the expanded theoretical framework. I suggest that while CSR has to-date inhibited structural improvements to working conditions in global supply chains from occurring, hierarchy-attenuating myths are challenging the dominant CSR paradigm and are instigating a shift away from conventional corporate voluntary and self-regulatory regimes. However, these progressive developments are threatened by persistent hierarchy-attenuating myths, informed by neoliberalism, that aim to maintain the status quo of the CSR paradigm.