

# **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 five 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

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

Paper	Contribution	Chapter
<p>Clarke, T., &amp; Boersma, M. (2017). The Governance of Global Value Chains: Unresolved Human Rights, Environmental and Ethical Dilemmas in the Apple Supply Chain. <i>Journal of Business Ethics</i>, 143(1), 111–133.</p> <p><b>(ABDC List: A; FT50)</b></p>	<p>Overall 80%</p> <p>Conceptualisation 70%</p> <p>Data Collection 100%</p> <p>Analysis 70%</p> <p>Writing 80%</p>	<p><b>3</b></p>
<p>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. <i>The University of New South Wales Law Journal</i>, 40(3), 1249 - 1274.</p> <p><b>(ABDC List: A)</b></p>	<p>Overall 100%</p> <p>Conceptualisation 100%</p> <p>Data Collection 100%</p> <p>Analysis 100%</p> <p>Writing 100%</p>	<p><b>4</b></p>
<p>Boersma, M. (2018). Between Norms and Practice: Civil Society Perspectives on the Legitimacy of Multistakeholder Initiatives to Eliminate Child Labour. <i>Business, Strategy and the Environment</i>, 27(5), 612-620.</p> <p><b>(ABDC List: B)</b></p>	<p>Overall 100%</p> <p>Conceptualisation 100%</p> <p>Data Collection 100%</p> <p>Analysis 100%</p> <p>Writing 100%</p>	<p><b>5</b></p>

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## **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.

## **Introduction: New Challenges for Corporate Social Responsibility**

The characteristics of international trade, production, investment, employment relations and labour itself have drastically changed with the growth of global supply chains. It is difficult to overstate the influence of supply chains on our everyday lives. The United Nations Conference on Trade and Development (UNCTAD) estimates that approximately 80% of global trade can now be linked to the global production networks of multinational enterprises (UNCTAD, 2013). In the 40 countries that make up 85% of the global gross domestic product, and account for around two-thirds of the labour force around the world, the employment linked to supply chains has increased by 53% since 1995. This culminated in 453 million formal jobs in global supply chains in 2013 (International Labour Organization, 2015).

Global supply chains affect every aspect of consumer's lives. Australians that drive a car should consider that their vehicle has parts that were produced in and sourced from different countries, before it was (partly) assembled in one or more low-wage countries and shipped to Australia, which used to have a car manufacturing industry of its own (Jason Dowling, 2015). The shipping company might have recently employed workers from South-Asia to replace the Australian crew, as it seeks to push down its labour costs (Toscano, 2016). An innocuous activity like going to the pub is affected by global supply chains: the beers on tap are likely made from local and imported ingredients, while the malted barley might come from Brazil, where rainforest is being turned into farmland at an alarming rate in order to enable agricultural production (Mooney, 2016). Even an everyday activity like grocery shopping is affected by supply chains. Fresh produce that is grown in Australia is harvested by seasonal workers who are underpaid by labour-hire companies (O'Brien & Boersma, 2015).

Similarly, when "putting another shrimp on the barbie", the prawns are likely to come from Thailand. This country is known for labour exploitation in the fishing industry (Stoakes & Kelly, 2015). Digitised supply chains in the shape of gig economy online platforms also impact on labour standards. When ordering an Uber to get from point A to point B, the driver that comes to pick you up is an independent contractor who does not enjoy secure employment (Josserand & Kaine, 2016b). The smartphone used to book a ride contains precious materials such as tin and cobalt. These materials are known to be sourced from artisanal mines in Indonesia and the Democratic Republic of the Congo, dug up by children, and assembled by workers that who are forced to pay high fees to recruitment agents (Bilton, Bardo, Oliver, Head, & Thomas, 2014). In short, several everyday activities are enabled by an intricate network of global and local goods and services, each with their own issues and challenges.



## **Global Supply Chains and the Social Responsibilities of Business**

As the dominant mode of production in the contemporary era, global supply chains thus have an enormous impact on the economy and on people's lives. The Organisation for Economic Co-operation and Development estimates that over half of the world's manufactured imports are intermediate goods. These goods are used in the production of other goods (De Backer & Miroudot, 2012). The International Trade Union Confederation approximates that 60% of global trade in the real economy depends on the supply chains of fifty corporations. These companies employ only 6% of workers in a direct relationship, and rely on a hidden workforce of 116 million people (International Trade Union Confederation, 2016). At the same time, there are 45.8 million people in slavery around the world; nearly twice the population of Australia and more than at any time in history (Bales, 2016). In addition, the International Labour Organization estimates there are 168 million child labourers globally. A number equivalent to half the population of the United States (International Labour Organization, 2016a).

These facts show the influence of global supply chains and the unprecedented power of a few large corporations. They also illustrate the international disaggregation and changing nature of labour relations, and the disturbing extent of labour exploitation around the world. Taken together, these factors raise a series of challenges for companies that are active globally, either by operating in developing countries and emerging markets themselves, or by sourcing through international supply chains. Many multinational corporations (MNCs) have seized the economic opportunities in burgeoning markets around the globe – arguably while creating employment options and contributing to the economic prosperity, yet MNCs have also been confronted by social and environmental challenges, many of which have been campaigned on by civil society organisations (CSOs).

Threats to working conditions in global supply chains remain commonplace despite emergence of voluntary and self-regulatory initiatives. There are even studies that suggest that despite the increase in private initiatives, many producing and export-oriented countries have not experienced an improvement of working conditions, but have seen labour standards decline (Mosley, 2010; Locke, 2013a). The role of companies in facilitating economic development is therefore paradoxical. On the one hand companies benefit from cheap labour, at the cost of questionable labour standards and the lack of enforcement of labour rights (Chamberlain, 2017). On the other hand companies can arguably play an important role in promoting better labour practices in offshore operations and supply chains. There are several prominent advocates of offshoring and outsourcing to developing countries, among which a well-known Nobel Prize winner. They argue that local workers would labour in dubious conditions and for

little reward anyway, so the presence of MNCs at least gives them some hope for improvement of their circumstances (Krugman, 1997; Massie, 2013; Yglesias, 2013).

To better understand the impact of companies and their supply chains on working conditions, and to critically assess voluntary and self-regulatory responses to supply chain labour exploitation, we must start by taking a closer look at the development of CSR over time. The aim of chapter one is to frame the debate around CSR in global supply chains by focusing on the literature concerning CSR, private supply chain governance, and the growing role of CSOs and multistakeholder initiatives. Tracing the evolution of CSR and that of related concepts can provide important insights. A historical perspective reveals the contingent character of CSR and enables me to question the taken-for-granted notions underlying associated concepts. Such critical observations can assist in explaining why structural improvements to working conditions in supply chains have not occurred.

It will become clear that CSR is a dynamic, evolving, and contested concept. For the moment I will adopt a working definition of CSR. I will describe it as the voluntary social and environmental activities of a company that are intended to have a positive impact on society and the environment. Private governance is closely related to CSR. It addresses social and environmental issues without government involvement, in contrast to public governance (Brammer, Jackson, & Matten, 2012). Chapter one will show that private and multistakeholder governance overlap. Rather than companies or industries self-regulating, multistakeholder governance can involve companies, industry bodies and NGOs, yet they regularly lack government involvement. Multistakeholder initiatives are thus predominantly private in nature, yet are composed of various different stakeholders (Fransen, 2011; Donaghey et al., 2014).

Many supply chain governance initiatives are not primarily anchored in the rule of law and its enforcement by authorities. That is, the rise of private and multistakeholder governance is often regarded as a response to the inadequacies of labour laws and their enforcement (Kaine, Josserand, & Boersma, 2017). This necessitates companies and other stakeholders to go above and beyond what is required by law to avoid and mitigate social and environmental transgressions in their supply chains (Josserand & Kaine, 2016a). The shortfall of legal frameworks and local enforcement calls for companies to take greater responsibility for the governance of labour standards in their supply chains. Yet it creates a paradoxical situation in which companies that benefit from cheap labour and associated working conditions are also the ones responsible for improving labour standards and protecting rights.

## **Determining the (Il)legitimacy of the Corporate Social Responsibility Paradigm**

A key question that this research seeks to answer is why exploitation in global supply chains continues to persist, despite a plethora of CSR and private governance initiatives. I contend that a major contributing factor is that CSR and private supply chain governance are voluntary and self-regulating initiatives. This assumes that companies are willing to undermine a business model from which they profit. While not all private supply chain governance initiatives merely exist of companies, as they can also include CSOs such as trade unions and non-governmental organisations (NGOs), they rarely include state actors. While the participation of CSOs can ostensibly result in more robust governance, the capacity of CSOs to hold companies to account is limited compared to the enforcement of legislation by the state.

Crucially, in a global economy marked by neoliberalism, there is limited appetite among governments and policy makers to intervene in markets or to correct the behaviour of companies (Kotz, 2002). This is the case despite of the dire social and economic consequences of the withdrawal of traditional institutions and the reliance on corporate self-regulation (Clarke & Chanlat, 2009). In those instances where governments do intervene, they run the risk of being drawn into “investor-state dispute settlements”. These are offshore tribunals enshrined in trade agreements in which companies can – and have often done so successfully – contest social and environmental protections imposed by governments, such as the protection water supplies from mining companies (Monbiot, 2016). In short, neoliberalism advocates that a largely unregulated free market economy achieves the best outcomes for society. The state should be assigned a small role, and intervention to correct markets and curb corporate prerogative is undesirable (Ostry, Loungani, & Furceri, 2016).

I argue that the coincidence between corporate goals and public interest, mediated by the market instead of through legal mechanisms, will not lead to a structural improvement of labour standards in supply chains. I will seek to answer is why companies can continue to unfold these initiatives unchallenged, and why corporate stakeholders have not yet lost faith in the voluntarily and self-regulatory efforts by companies. I aim to show that a prominent reason why so many CSR and private governance initiatives have failed, and why stakeholders have not completely lost faith, is because companies have been able to effectively manage negativity surrounding their activities and neutralise threats to the company by taking symbolic instead of substantive measures. I contend that in doing so companies have relied on legitimising myths that facilitate a continuation of this cycle.

Examples of CSR and private governance in global supply chains will be critically examined to find empirical footing for these postulations. The research will explore the ways in which CSOs such as trade unions and NGOs hold companies to account, and scrutinise how

companies and CSOs are collaboratively trying to prevent and mitigate transgressions in supply chains. In addition to this empirical analysis, I take a critical approach to theories that explain the actions of actors in matters relating to corporate social responsibility. I will focus on legitimacy theory specifically, by gauging its explanatory power in the context of global supply chains, by questioning key notions that underpin these theories, and by expanding legitimacy theory with novel concepts. As such, I aim to make a practical as well as a theoretical contribution to the existing body of knowledge.

### **Theoretical Approaches to Global Supply Chains and Corporate Social Responsibility**

Research into labour standards in global supply chains has utilised various theoretical frameworks to generate insights (Wright & Kaine, 2015). For example, Marxist perspectives (Reinecke, 2010), varieties of capitalism and labour process analyses (Lane & Wood, 2009; Robinson & Rainbird, 2013). Neo-Gramscian and neo-colonial approaches (Khan, Westwood, & Boje, 2010; Levy, 2008) have also been used to analyse the social, political and ethical dimensions of global supply chains, as well as feminist and Foucauldian interpretations (Higgins & Hallström, 2007; Robinson, 2011). Scherer and Palazzo (2011) suggest that contemporary businesses assume a political role to address the shortcomings of traditional institutions. They even state that “political CSR will lead to consequences for the dominating economic theory of the firm”, arguing that businesses (will) no longer solely focus on profit (p. 922). The view that companies can play a role in filling regulatory vacuums exists in contrast to the recurring failure of CSR and the ongoing abuses in global supply chains.

Chapter two uses legitimacy theory to uncover the flaws that underlie notions of CSR and private supply chain governance. Legitimacy theory is well-suited to explain CSR and private governance in global supply chains. It recognises the multitude of corporate stakeholders involved, identifies their relationships and objectives, and on that basis can help to explain their actions and motivations (Van der Laan, 2009). It also affords a degree of abstraction. It deals with the “perceptions and the processes involved in redefining or sustaining those perceptions and can accommodate notions of power relationships and discourses at a global level” (Moerman & Van Der Laan, 2005, p. 376). The literature shows that (organisational) legitimacy is shaped within a wider beliefs system. “The behaviour of a legitimate entity should be compatible with the shared beliefs of its conferring publics. The credibility of an organization depends on its legitimate activities in consonance with the moral rules of the society” (Gunningham, Kagan, & Thornton, 2004). This suggests that dissonance between organisational activities and the moral rules of society can threaten organisational legitimacy.

However there are many recent examples of corporate scandals which have not caused the collapse of the companies that were at the centre of public outrage. Examples are British Petroleum, Volkswagen or as will be discussed in chapter three: Apple. If the commonly accepted notion is that not conforming with the moral rules of society can threaten organisational legitimacy, how do we explain the Volkswagen scenario? While the company suffered losses through fines for breaching the law, it recently recorded higher than expected profits and a promising economic outlook (Winton, 2017). I argue that (organisational) legitimacy as a theoretical construct currently does not adequately explain the dynamics surrounding corporate scandals. Therefore, the time is right to question the dynamics surrounding (organisational) legitimacy. We need to rethink the ways in which legitimacy can be questioned, how companies are held accountable, how decreased legitimacy translates to ramifications, and how companies manage threats to their legitimacy.

Conceptually, I propose to expand legitimacy theory as it is used in management studies by integrating *legitimising myths* (Sidanius & Pratto, 1999). This notion originates in social dominance theory and describes how social hierarchies are upheld. Social dominance theory states that legitimising myths are commonly shared ideas which provide a moral and intellectual justification for social phenomena (Sidanius & Pratto, 1999). By incorporating legitimising myths into legitimacy theory as it is used in a management context, I propose that these myths limit the repercussions for corporate misconduct and maintain the status quo in favour of the dominant CSR paradigm. Proposed legitimising myths include the assumption that working conditions can be improved through corporate voluntarism and self-regulation, that market forces can balance social and financial interests, and that a company's "social license to operate" can be threatened to the degree that it endangers a company's survival.

### **Exploring the Influence of Neoliberalism on Corporate Social Responsibility**

Neoliberalism has great influence on CSR and ideologically underpins the currently dominant CSR paradigm (Ireland & Pillay, 2010; Lebano, 2010; van Aartsen, 2014; Weems, Garner, Oshiro, & Singer, 2017; Knudsen, 2018). Daniel Rodgers, Professor of History Emeritus at Princeton University, argues that "neoliberalism stands, first, for the late capitalist economy of our times; second, for a strand of ideas; third, for a globally circulating bundle of policy measures; and fourth, for the hegemonic force of the culture that surrounds and entraps us" (2018). Neoliberalism upholds the idea that global capitalism sustains itself through the free flow of capital, goods and labour, it promotes market fundamentalism and business-friendly policies, and generally embodies the governing rationality of our times, spreading "the model of the market to all domains and activities" (Brown, 2015, p. 35).

To enhance our understanding of how CSR is said to operate, and to determine the legitimacy of the current CSR paradigm, we must view CSR in the context of the free market. For example, while it is theoretically possible for companies to meet their financial goals as well as their social and environmental responsibilities, there will inevitably be scenarios in which a company is confronted with a trade-off between its financial objectives and its CSR agenda. As such, a situation in which a company can align financial goals with desirable outcomes for society should not be assumed without question. Furthermore, who is to say that a company's CSR agenda adequately reflects stakeholder values? In cases where CSR agendas and broader societal concerns are misaligned, it might be entirely possible for a company to avoid a trade-off, fulfil its financial as well as its CSR objectives, yet fail to address the concerns of its stakeholders (Clarke & Boersma, 2016).

This brings us to another question. If faced with a trade-off between financial goals and societal concerns, which will be given priority by companies? To survive, any company must make a sustained profit over time. Therefore, it is unlikely that a company will make a series of decisions that benefit society but damage its financial bottom line, thus threatening its own survival (McWilliams, Siegel, & Wright, 2006). This hypothetical scenario indicates that a company will not address societal concerns at all costs. Arguably, some businesses may decide to sacrifice profits in the short-term to meet CSR objectives and maximise long-term financial results (Burke & Logsdon, 1996). However, as short-term thinking constitutes the dominant trend in the business world (Lazonick, Mazzucato, & Tulum, 2013), it is questionable whether many companies will make decisions along those lines.

Another key factor is the commercial value of CSR. It does not simply represent a corporate agenda which, to greater or lesser extent, reflects stakeholder values, it also represents value mediated through corporate reputation (Siltaoja, 2006). This assumes that consumers and shareholders reward or punish companies for their social and environmental impact. Recognising the commercial value of CSR reveals that it is intricately connected to market mechanisms (Boersma, 2018). In a regulatory vacuum, the leverage to change corporate behaviour as it impacts on society often relies on market forces, consumer and shareholder views, and the consequences for the reputation and the value of the company (Josserand & Kaine, 2016a). In other words, CSR as a voluntary and self-regulatory mechanism relies on the notion that the market can balance tensions between financial goals and desirable outcomes for society. I argue that the unquestioned reliance on market mechanisms constitutes a major flaw, as markets are imperfect and fail regularly. Consequently, there is no reason to assume that the market will satisfactorily balance stakeholder interests and create satisfactory outcomes for all.

When considering the responsibilities of companies, it is often stated that companies with shareholders have an obligation to maximise shareholder value (Petersen et al., 2009). It is furthermore argued that company directors have a fiduciary duty to maximise profits (Bainbridge, 2015). It follows that, when a company needs to choose between the interests of shareholders and other stakeholders, it seemingly has a duty to prioritise shareholders. Lynn Stout has called this the “myth of shareholder value”, arguing that shareholder primacy has no basis in law or economics (Stout, 2012). While Stout does not use the term legitimising myth, it can be seen how the concept of shareholder value can be used as a pretext to prioritise shareholders over stakeholders, thus exposing the limits of CSR. Put differently, the shareholder value myth curbs the transformative potential of CSR agendas by placing restrictions on the extent to which concerns of corporate stakeholders need to be considered.

The idea that companies can be held accountable in the marketplace for their social and environmental footprint assumes that there is a critical mass of stakeholders that care, and that these stakeholders can make the company change its behaviour by leveraging market forces. From a legitimacy perspective, the framing of CSR as a mechanism shaped by the market has implications for understanding corporate motivations to alter their (perceived) impact on society. Possible tensions between generating shareholder value and addressing stakeholder interests can also obscure corporate motivations. After all, if we accept that challenging corporate behaviour using market forces relies on the potential damage to a company’s reputation and its value, CSR as a corporate response to reputational threats becomes a means to an end rather than an end in itself. From a legitimacy perspective, this suggests CSR can be driven by instrumental rather than by moral incentives (Donaldson & Preston, 1995).

Determining corporate motivations behind CSR can help to determine if – and under what circumstances – stakeholder concerns can be genuinely and substantively addressed through CSR. For example, if companies would have moral incentives alone, only a substantive response to stakeholder concerns would suffice. After all, the main concern of the company would be the concerns of their stakeholders, without having an ulterior motive. Yet, the connection of CSR with market mechanisms, and businesses treating CSR as a means to an end, implies that companies responding to reputational threats are primarily concerned with corporate imagery and financial performance. Consequently, any corporate response which neutralises the threat to the brand image and company profits suffices, resulting in the possibility of a symbolic rather than a substantive approach to stakeholder concerns.

## **Recurring Exploitation and the Limitations of Corporate Social Responsibility**

In explaining the actions of corporations and their stakeholders, it is crucial to determine how each actor perceives legitimacy. I contend that corporations view legitimacy primarily as a resource or an asset that presents value to the company, which can be maintained by managing stakeholder perceptions. From the perspective of companies, it is necessary to make corporate actions appear congruous with the expectations of their stakeholders, vis-a-vis consumers and shareholders in particular. Specifically to the extent that it positively influences the perception of the public and legitimises the actions of the company. However, I argue that from the perspective of CSOs, corporate legitimacy is not regarded as a resource or asset. Rather, legitimacy is something that can be withheld or bestowed upon companies by its stakeholders, specifically through the judgement of whether issues that have been flagged by stakeholders are adequately and substantively addressed by the company.

To better understand how companies are able to neutralise threats to their reputation without structurally resolving issues flagged by stakeholders, chapter three examines Apple's response to its manufacturing woes in Asia. Apple and its suppliers have experienced over a decade of social and environmental issues (Frost & Burnett, 2007; Chan & Pun, 2010; Chan, 2013; Chan, Pun, & Selden, 2013). Apple's supply chain offers a detailed case study of the dynamics surrounding CSR in global supply chains. It shows that companies can be held responsible for the impact of their direct and indirect business partners, regardless of where in the supply chain these activities occur. The chapter will explore how the disaggregation of global supply chains has affected working conditions, how this mode of production marginalises workers and aggravates exploitation, and how Apple has failed in its response to these issues which continue on to this day (White & Lynn Zhang, 2017).

The chapter will look at the self-described social and environmental values that Apple is committed to. I will describe how these values have developed over time, and whether they have been influenced by institutional and stakeholder pressures. This examination enables an analysis of how the actions of CSOs and consumers, and Apple's responses to these pressures, have affected the legitimacy of the company. The chapter will document a decade of incidents in Apple's supply chain, analyse how these events came to light, how Apple responded, and why abuses in its supply chain continue. In doing so chapter three offers an explanation of the stakeholder dynamics and the institutional failure that lies at the centre of the voluntary and self-regulatory efforts to overcome exploitation in Apple's supply chain.

The Apple case shows that for businesses, legitimacy can be dealt with symbolically by managing stakeholder perceptions. For CSOs however, legitimacy is concerned with companies adequately addressing substantive issues that have been raised by corporate



stakeholders. I argue that these different perspectives on legitimacy undermine structural improvements to working conditions in global supply chains. Stakeholders such as CSOs often use reputational damage campaigns to question legitimacy and influence companies to address issues. The findings suggest that although this is a useful tactic in exposing corporate misbehaviour and raising public awareness in the short-term, the threat of reputational damage is not an effective long-term strategy and does not result in structural solutions. Once companies neutralise reputational threats, CSOs again expose exploitation in supply chains, after which the cycle of failure to effectuate structural change repeats itself.

I suggest that the actors in Apple's supply chain, including Apple itself, are caught in a vicious cycle that prevents structural improvements to working conditions from occurring. Using voluntary and self-regulatory practices in the shape of a code of conduct and social auditing-based approach, Apple's main supplier Foxconn has no trouble convincing Apple that its reforms in the production process are working. This enables Apple to reaffirm its organisational legitimacy with its consumers and shareholders. CSOs can be influential in insisting on social change. Yet the pressure from CSOs mainly relies on consumer power and reputational threats as Apple does not engage in multistakeholder initiatives. As concerns among consumers are short-lived and effectively countered by Apple and its suppliers, CSOs seemingly have no option but to repeat the cycle and expose new abuses as they occur.

### **Breaking the Impasse? Exploring Developments in Corporate Social Responsibility**

Structural improvements to labour standards can only be achieved if the impasse witnessed in Apple's supply chain is broken. Viewed in the context of neoliberalism, while CSOs such as NGOs and trade unions are crucial actors in exposing abuses and in urging companies to act, they have limited capacity to hold companies accountable beyond relying on market forces. This is mainly due to the absence of state intervention and the lack of authoritative international frameworks. Yet there are developments that can change the reliance on corporate voluntarism and self-regulation to improve labour standards. One of these trends is the increased uptake of multistakeholder initiatives. This indicates a shift from adversarial to collaborative strategies. Another trend is the growing influence of the human rights agenda, which seeks to redefine corporate responsibilities and reaffirm the role of the state.

The fact that economic globalisation has outpaced regulatory developments constitutes a major hurdle in addressing labour abuses (Glennie, 2011). While production, trade and investment are increasingly taking place at an international level, formal institutional power, such as the creation and enforcement of labour laws, is still exercised by nation-states (Halliday & Carruthers, 2007). Institutions like the United Nations, the International Labour

Organization and the World Trade Organisation take on a global governance role. Yet, they do not enforce regulation at an international level in the same way that states do nationally. Where chapter three examines why CSR falls short in avoiding and remediating abuses in global supply chains, chapter four focuses on innovative developments that seek to end exploitation.

In the context of global supply chains, both national and international institutions have limited capacity to address transnational labour issues. This institutional failure is described in terms of a governance gap (Scholte, 2001) – and more recently – as an enforcement gap (Weil, 2010; Kaine & Josserand, 2018). According to Manuel Castells, a renowned theorist of globalisation, nation-states are still at the centre of political power. Yet, decision-making increasingly occurs within “a state made of ad hoc networking in the practice of government between nation-states, European institutions, global institutions of governance, regional and local governments, and civil society organizations” (Castells, 2009a, p. xxx). Indeed, current attempts to regulate the societal impact of companies with global supply chains takes place within this institutional patchwork, as attempts to develop binding international law to regulate businesses have thus far failed.

The *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* (Norms) are the most recent effort to capture corporate social responsibilities in an internationally binding instrument. Human rights are relevant to companies and are increasingly mentioned in CSR agendas. Proposed in 2003, the Norms would have forced onto businesses duties comparable to those of nation-states, such as “to promote, secure the fulfilment of, respect, ensure respect of and protect human rights” within their “sphere of influence.” (Weissbrodt & Kruger, 2003, p. 912). However, this initiative failed to get traction. There was little hope to gather support from member-states to build consensus and impose state-like duties onto businesses at the level of international law (Prekert & Shackelford, 2014). In his own words, John Ruggie’s first act in 2005 after being appointed as the United Nations’ Special Representative on Business and Human Rights was to break away from the Norms by committing “normicide”, much to the chagrin of human rights advocates (Ruggie, 2013, p. 54).

John Ruggie was appointed by Secretary General Kofi Annan. His job was to identify the responsibility and accountability of MNCs for human rights and elaborate on the role of nation-states in an era of globalisation. In 2008, Ruggie proposed the “Protect, Respect and Remedy” framework, resting on three pillars. The state duty to protect against human rights abuses by third parties, including business; the corporate responsibility to respect human rights; and greater access by victims to effective remedy, both judicial and non-judicial. The Human Rights Council approved the framework in 2008. It extended Ruggie’s mandate until 2011 to

operationalise and promote the framework. This culminated in the “Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy Framework” (UNGPs). As it stands, the “Ruggie Principles” comprise the main tool to regulate transnational business activities on a legal and non-legal basis.

A binding international mechanism that sets out human rights responsibilities for corporations was not established, and the Ruggie Principles were endorsed by the UN Human Rights Council in 2011. This meant that the top-down approach to regulatory shortcomings in global supply chains was replaced by a bottom-up approach. This Ruggie Principles build on existing legal frameworks of nation-states and on “the corporate responsibility to respect human rights”. Crucially, this implies a continued reliance on voluntary initiatives and the self-regulatory capacity of companies. Approaches to labour abuses in global supply chains therefore remain largely dependent on CSR. The purpose of chapter four is to see whether Ruggie’s Framework and the UNGPs have the capacity to effectively address labour and human rights abuses, and can help to break the cycle of failure discussed in chapter three.

Chapter four will suggest that the UNGPs and multistakeholder initiatives do have the potential to change the reigning CSR paradigm. The UNGPs do this by trying to move beyond the existing dichotomy between voluntarism and legalistic approaches. The UNGPs unite the state duty to protect and the corporate responsibility to respect human rights in a single framework. They introduce preliminary human rights risk assessments, meaning that companies need to identify, prevent, and account for how they address adverse societal impacts. In short, companies have the responsibility to know and show they respects human rights. This marks an important shift from a reactive towards a proactive approach to human rights issues. In multistakeholder initiatives, CSOs and companies form partnerships to address supply chains issues. CSOs change tack by partnering with instead of chastising companies, while companies choose not to solely rely on self-regulation.

### **The Role of Civil Society Organisations in Addressing Supply Chain Issues**

The institutional developments described in the previous paragraphs have resulted in the increased activity of CSOs. These organisations are ascribed a key role in the global governance of social matters (Gemmill & Bamidele-Izu, 2002; Teegen, Doh, & Vachani, 2004). Since many elements of society have been upscaled to a global level, it follows that attempts have been made to conceptualise the upscaling of civil society. I will establish a working definition of this ambiguous concept. In this research “global civil society” will entail organisations that are non-governmental and non-business in nature, which are concerned with transnational issues affecting groups and individuals in society. It should be noted that

businesses are traditionally included in the definition of civil society. However I contend that the economic and political influence of large contemporary companies warrants them to be excluded from the definition, on the basis that they have become a force in and of themselves.

The failings of existing regulation to address issues in global supply chains and the continuing reliance of CSR has prompted social movements to play a growing role in holding companies to account (Bartley & Child, 2014; Reinecke & Donaghey, 2015). Indeed, it has been argued that the politics of resistance in the globalised era will not be shaped by “globalisation-from-above”, but will instead be formed by “globalisation-from-below” through the emergence of a global civil society that will contest the power of government and corporations (Falk, 1997). Put differently: “social movements and geopolitical strategies [have become] largely global so as to act on the global sources of power, as the institutions of the nation-state [...] gradually lost their capacity to control and regulate global flows of wealth and information” (Castells, 2009b, p. xviii). Apart from the influence of the UNGPs, chapter four will also explore the increase in partnerships between companies and CSOs.

In describing the developments that are meant break the cycle of failure in addressing labour exploitation in global supply chains, chapter four and five examine the experiences of CSOs in campaigning against and working with companies to avoid and remediate child labour in global supply chains. These chapters address the importance of authoritative frameworks in addressing labour abuses, the possibilities and limits of corporate self-regulation and multistakeholder collaboration, and how companies deal with stakeholder demands. It finds that where the strategies of CSOs have traditionally relied on naming and shaming, and corporate approaches have revolved around codes of conduct and social auditing. Yet the increase in business partnerships with CSOs and the developments of Ruggie’s framework have initiated a shift towards preliminary risk assessments, remediation, and collaboration.

Chapter four suggests that the CSR paradigm is changing by shifting away from reactive and paternalistic tendencies of companies towards proactive and pluralistic strategies in dealing with supply chain exploitation. I argue that despite these developments, the lack of power on the part of disadvantaged stakeholders in supply chains means that they continue to rely on companies and CSOs to lend them a voice and effectuate their demands. The findings show that the UNGPs and the increased uptake of multistakeholder collaboration have changed approaches to labour exploitation in global supply chains. Although CSOs welcome these changes, partnerships between CSOs and companies suffer from the same flaw as adversarial strategies, and are subject to several tensions that can threaten their legitimacy.

## **Unlikely and Uneasy Allies: The Challenges of Multistakeholder Initiatives**

While multistakeholder initiatives are often heralded as a panacea in finding solutions to labour issues in global supply chains. Yet, participants in multistakeholder initiatives see the legitimacy of these initiatives from different perspectives. Companies view legitimacy as a resource or an asset, which is obtained by participating and achieving outcomes. CSOs view legitimacy as determined by the norms and processes that underpin multistakeholder initiatives and determine the effectiveness of outcomes. Chapter five shows that these different views on legitimacy have the capacity to undermine the success of multistakeholder initiatives. The chapter examines the factors that determine the legitimacy of multistakeholder initiatives from the perspective of CSOs. I conclude the chapter by discussing the conditions in which partnerships between companies and CSOs can effectively address abuses in supply chains.

Where chapter three looks at the flaws of CSR, and chapter four focuses on the developments that seek to address these failures, chapter five examines the challenges of these approaches. It examines the *input and output legitimacy* of multistakeholder initiatives, which respectively determine the validity of norms and processes, and the effectiveness and credibility of outcomes. I will specifically explore the normative-ethical and political-strategic tensions that can undermine the legitimacy of these initiatives. In interpreting Habermasian discourse ethics, Scherer and Palazzo (2007) argue that political and strategic objectives often compete with normative and ethical elements. These categories are useful in analysing the legitimacy of multistakeholder initiatives, as in these initiatives ideal discourse ethics and practical discursive processes take shape between multiple stakeholders.

Chapter five shows that for CSOs, multistakeholder initiatives have a strong normative basis, whereas companies often have political and strategic reasons to participate. A distinct normative-ethical/political-strategic tension that influences the input legitimacy of multistakeholder initiatives relates to corporate incentives. CSOs express doubts about the motives of companies to contribute to multistakeholder initiatives, as reputational risk often forms the key motivator for companies to engage with CSOs and other stakeholders. This marks a political-strategic rather than a normative-ethical incentive to join multistakeholder initiatives. Other examples of how normative views of CSOs influence input legitimacy are the key role they assign to international standards and national legislation. CSOs also stress the importance of clear definitions of concepts such as child labour, risk, and responsibility. Conversely, companies emphasise self-regulation and favour different definitions.

The perceived output legitimacy of multistakeholder initiatives is also characterised by normative-ethical/political-strategic tensions. For example, CSOs only consider supply chain auditing to be legitimate when there is a multistakeholder body accrediting these audits. Instead

companies often perform audits themselves and use auditing standards to knock out their competitors, thereby using auditing as a competitive tool. In addition, CSOs deem a holistic approach to child labour to be an important measure of output legitimacy. The denial of labour rights is a key contributor to child labour. Remediation of child labour is closely linked to enabling labour rights, and is preferred over companies publishing feel-good statements or policies. Another normative-ethical/political-strategic tension that influences outcome legitimacy relates to the enforcement of child labour norms. Simply put, CSOs prefer mandatory outcomes, while MNCs prefer a voluntary approach. Overall, the normative-ethical/political-strategic tensions surrounding input and output legitimacy of multistakeholder initiatives are grounded in opposing views on the social responsibilities of companies, and the manner in which these responsibilities are to be enforced.

### **Legitimising Myths and Corporate Social Responsibility in Global Supply Chains**

This research shows that the current CSR paradigm is ineffective in structurally improving labour conditions in supply chains. Regardless, CSR and private governance continue to be unfolded relatively unchallenged. I suggest that the key reason why this flawed approach persists is because the neoliberal principles that underpin CSR have not been successfully contested. There is an ongoing belief that markets can successfully balance social, environmental, and financial interests, and create beneficial outcomes for all. This means that voluntary and self-regulatory corporate approaches to social and environmental issues remain widely accepted. Governments are apprehensive to intervene in markets, and are presumed powerless to regulate business in a globalised economy. These notions serve as legitimising myths that uphold the existing CSR paradigm, and maintain the status quo in the favour of companies at the detriment of exploited workers.

In the context of the literature review and theoretical framework presented in chapters one and two, the sixth chapter will provide an extended analysis of the findings presented in chapter three, four and five. By tracing the history and evolution of CSR I show that this concept is ambiguous and evolving. This enables me to question the taken-for-granted notions underlying CSR. I take a critical approach to theories which are used to explain matters relating to CSR, and focus on legitimacy theory specifically. I will gauge its explanatory power in the context of global supply chains, question key notions that underpin this theory, and expand legitimacy theory with novel concepts. By introducing legitimising myths from social dominance theory, and by applying this concept to legitimacy theory in a management context, I explain that CSR – specifically as it manifests in global supply chains – is subject to hierarchy-

enhancing and hierarchy-attenuating myths. This addition to legitimacy theory explains the ways in which the CSR paradigm is being maintained and contested.

By including legitimising myths in legitimacy theory I expand its explanatory power. This theoretical expansion enable an extended analysis of the stakeholder dynamics surrounding the abuses in the Apple supply chain, the influence of UNGPs and multistakeholder initiatives on the CSR paradigm, and the promises and pitfalls of partnerships between companies and civil society organisations. This allows me to question whether corporations can be held accountable for their social impact through market forces. I will critically analyse associated concepts such as the social license to operate, and determine under what circumstances multistakeholder initiatives are legitimate and effective tools to address labour and human rights abuses. Recent advances such as the introduction of the UNGPs and an increase in multistakeholder partnerships introduce hierarchy-attenuating myths. This suggests that changes in approaches to supply chain labour exploitation may be on the horizon. This research also reveals the persistence of hierarchy-enhancing legitimising myths that aim to maintain the currently dominant CSR paradigm.

## **Chapter 1: A Brief History of Corporate Social Responsibility**

The idea that companies have social responsibilities has a long history. Research suggests that the notion that business enterprises have responsibilities towards society has been around for centuries, dating as far back as Greek antiquity (Carroll & Shabana, 2010). While reflections on the social responsibilities of businesses have existed for a long time, CSR as it is known today started to take shape after the Second World War, which is where this chapter will start its review. The purpose of the historical examination is to inform the critical analysis of CSR. In this chapter I will to uncover the origins of CSR and show how it has evolved, both philosophically in terms of its meaning, and practically in the manner in which it is operationalised. This will allow me to uncover its contingent nature and shortcomings.

It will become clear that from the 1950s onwards CSR has continually evolved. It was initially defined a positive contribution of companies to society on a philanthropic basis in the 1950s and 1960s. This was followed by companies considering a limited number of specific issues and groups in the 1970s, after which companies saw an increase in issues and stakeholders in the 1980s, and globalisation in the 1990s. CSR finally became influenced by global supply chains and human rights from the 2000s onwards. The discussion of CSR will show the extent to which the social responsibilities of businesses have grown, how governance gaps create hurdles in ensuring companies act responsibly in global supply chains, and what the role of (global) civil society is in holding companies to account.

As a word of caution, it should be noted that this chapter will focus on how CSR has developed in Anglo-Saxon and European societies and academic literature. That is not to say that CSR does not have a history elsewhere and is not an evolving concept in other geographical regions (Amaeshi, Adi, Ogbechie, & Amao, 2006; Blowfield & Frynas, 2005). Nor do I argue that the idea that business enterprises have social responsibilities is quintessentially a Western notion. The reality is that most of the scholarly texts on CSR and its history that were published in the last few decades are written from a Western perspective. It will be shown that CSR, as it developed in Anglo-Saxon and European societies from the 1950s onwards, should be seen in the context of neoliberalism, free market orientation and capitalism.

### **1.1 Conceptualising the Social Responsibilities of Business**

A book originally published in 1946, called *Concept of the Corporation*, first put forward the view that corporations have obligations apart from having a profit motive. The book's author argues that social obligations of companies exist next to the responsibility to increase profits (Drucker, 1993). The *Social Responsibilities of the Businessman*, first published in 1953, asks



the question: “What responsibilities to society may businessmen reasonably be expected to assume?” (Bowen, 2013, p. xi). Its author, Howard Bowen, is by some regarded as the “Father of Corporate Social Responsibility” (Carroll, 1999, p. 25). Bowen answers his own question by defining the social responsibilities of business as: “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (p. 6), and furthermore argues that businessmen “are responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements” (Carroll 1999, p. 270).

William Frederick, a forerunner with Drucker and Bowen is in reflecting on the social responsibilities of companies, contends that the debate in the 1950s revolved around three points. The notion of managers as public trustees, the idea that companies must balance competing claims to their resources, and that philanthropy is the vehicle to show business support for societal causes (Frederick, 1960). The first point acknowledges the growing influence of companies on public matters. The second point is a precursor to (competing) stakeholder claims. The third point shows that – at the time – social responsibilities of companies were considered peripheral to core business activities. In the context of CSR, the 1950s have been classified as the era of “philanthropy”. The period to the mid-1960s has been labelled as the era of “awareness”, during which the social responsibilities of business became more broadly recognised (Murphy, 1978).

In the 1960s the debate around the meaning of CSR. The following definition was offered: “Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest” (Davis, 1960, p. 70). This definition is rather vague and does not describe what those reasons may be, or what they might entail. Davis does go on to propose a relation between responsible business and long-term financial gains (p. 70), thus explicitly exposing instrumental corporate motives in implementing CSR. Another definition is equally elusive: “social responsibility recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals” (Walton, 1967, p. 18). While the definitions in the 1950s and 1960s do not determine the boundaries of CSR, they do start to indicate that the social responsibilities of companies relate to the actual impact of business activities. This marks a shift from general philanthropy towards an understanding of the social footprint of companies.

Yet, not all scholars were convinced about the social responsibilities of companies. As early as the 1950s, it was stated that the purpose of companies is to “go after profit in any way that is consistent with its own survival as an economic system” (Levitt, 1958, p. 44). Friedman

and Hayek, champions of individual liberties and the free market, saw CSR as running counter to these beliefs. Hayek contended that the aim of business is to generate profits, and that social involvement of businesses would prompt government intervention and curb the freedom of businesses (2013). Friedman argued that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (2009, pp. 133–134). Friedman later added that the purpose of corporate executives is to “conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom” (1970, p. 3).

## **1.2 Establishing the Scope and Dimensions of Corporate Social Responsibility**

Moderate views on CSR placed financial goals at the centre of business responsibilities and see social responsibilities as a secondary goal. “Business is and must remain fundamentally an economic institution, but [...] it does have responsibilities to help society achieve its basic goals and does, therefore, have social responsibilities (Steiner, 1971, p. 163). CSR continued to be seen as being outside a company’s direct interests, “beyond the narrow economic, technical, and legal requirements of the firm” (Davis, 1973, p. 312). Some scholars even found a way for CSR to reinforce individual liberties and the free market. “As the business system as it exists today can only survive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with business's role in supporting and improving that social order” (Eells & Walton, 1974, p. 274). A next step in defining CSR was made by distinguishing between “social obligations” in response to the market or the law, “social responsibility” in response to social norms and values, and “social responsiveness” which is an adaptation of corporate behaviour to social needs (Sethi, 1975, pp. 62–70).

An important conceptual leap was made in the 1970s. The multi-faceted character of CSR became recognised and CSR was first explicitly linked to legitimacy. It was argued that CSR does not always mean the same to everyone. “For some it can relate to legal responsibility, for others it means to act ethically, simply being responsible for what you cause, being philanthropic or socially conscious, while yet others [...] see it as a mere synonym for legitimacy in the context of belonging or being proper or valid” (Votaw, 1972, p. 25). The nascent discussion about the dimensions of CSR also prompted debate concerning the range of (competing) interests that companies need to address, which serves as a precursor of the stakeholder concept. “A socially responsible firm is one whose managerial staff balances a

multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Johnson, 1971, p. 50). At the end of the decade, Carroll suggested that CSR “encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (1979, p. 500).

In the 1980s and the 1990s the interest in CSR grew exponentially, both in academia and in the business world. These decades are characterised by several key developments. Perhaps the most significant indicator of the growth in interest in the social responsibilities of business is the fact that CSR was redefined and reconceptualised numerous times. The 1980s and 1990s gave rise to a host of associated complementary models and theories such as corporate social performance, corporate citizenship, sustainability, business ethics, and the stakeholder model. All of these approaches are focused on the “ever present quest to discover and accurately elucidate 'truth'” (Carroll, 1999, p. 34). Yet, in the midst of the proliferation of CSR-related definitions and theories, perhaps the most noteworthy contribution is made by the scholar who argued that as there is no agreement about an exact definition and desired outcomes of CSR, perhaps it should be viewed as a *process* instead (Jones, 1980, p. 65).

A likely reason why there was a surge of interest in CSR in the business world was because a growing body of research found evidence of a positive relationship between CSR and profitability (Aupperle, Carroll, & Hatfield, 1985). The discovery of the relationship between CSR and financial performance seems to have spawned the use of CSR as a marketing device. The 1980s “saw explicit pursuit of economic goals with a thin veneer of community concern” (Gray, Owen, & Adams, 1996, p. 97). The notion that CSR could be used as a brand-enhancing marketing tool continued into the 1990s. Several companies sought to establish a reputation for being socially responsible. Companies such as Nike and Levi Strauss unfolded CSR initiatives in supply chains after being in the midst of corporate scandals (Doorey, 2011). In similar vein, Apple used its CSR agenda to defuse reputational damage after being implicated in labour abuses in the 2000s, events which will be discussed in chapter three.

### **1.3 From Shareholders Returns to Stakeholders Concerns**

Likely the most influential development in the 1980s was formed by the rise of the stakeholder model. This approach challenged the dominant notion of CSR as a business activity secondary to making a profit and brought attention to stakeholder concerns as well as shareholder returns. Edward Freeman published his seminal “A Stakeholder Approach to Strategic Management” in 1984 and is widely considered to be the foremost theorist on the topic. Yet, the previous paragraphs have shown that notion of companies having responsibilities towards groups other

than shareholders has many precursors. “Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders” (Jones, 1980, pp. 59–60).

Freeman describes stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (1984, p. 46). This definition comprises a broad approach. It leaves both the stake and the stakeholder open to include anything and anyone. In addition to Freeman’s broad sense, in a narrow sense stakeholders may only include current corporate stakeholders while excluding any other potential future stakeholders (Clarkson, 1994). Research has found over 50 definitions for stakeholders. These always include two common characteristics: a connection between organisations and their stakeholders, indicated by a verb such as affect or impact, and a way in which stakeholders are identified (Friedman & Miles, 2006). The second feature is problematic. It suggests that groups or individuals in society are not a corporate stakeholder until they are identified as such. Among other things, chapter four of this research will discuss how CSR is changing and how companies can anticipate taking the interests of yet unknown stakeholders into account.

It is a ground-breaking idea that companies must not only operate within the boundaries of the law, but should also regard broader societal values. Contemporary companies are indeed increasingly expected to recognise their responsibilities towards stakeholder as well as to shareholders. Yet, to say that this growing notion of responsibilities has completely upended the notion of shareholder primacy would be an overstatement. Shareholders, after all, are corporate stakeholders as well. While companies may not merely have responsibilities towards shareholders, they do remain an important and perhaps the foremost stakeholder group from the perspective of management. Nevertheless, the recognition of the role of stakeholders is arguably one of the most significant developments in CSR, as it acknowledges the (potential) claims of a range of actors. In the age of globalisation and global supply chains, this creates a scenario in which groups of stakeholders and their claims are potentially limitless.

#### **1.4 Global Supply Chains: A Game-Changer for Companies and Society**

Since the 1990s and 2000s, two important CSR developments have been the rise of global supply chains (Gereffi et al., 2005; Gereffi & Lee, 2012) and the focus on human rights (Engle, 2004; Wettstein, 2009). The influence of the human rights agenda, and that of Ruggie’s framework in particular, will be examined in more detail in chapter four. The next paragraphs will discuss what global supply chains are, how they influence labour standards, and how they have affected CSR practices. While the basic principle of global supply chains as a means of production is straightforward, in fact global supply chains comprise a highly complex

phenomenon, both at an abstract as well as at a practical level. This means that CSR in the context of global supply chains can quickly turn into a quagmire, both in practice and in theory, due to the multiplicity of social actors, motives, institutional settings, and issues.

Cross-border production and sourcing are not new phenomena, as the foreign sourcing of materials and produced goods has existed for a long time. As shown in the introduction, what is new is the unprecedented scale at which these activities take place, as well as their intricacies. Indeed, the term “global supply chains” refers to an abstract concept. You can never see a global supply chain, as it is too vast to comprehend, and it can take on many different forms. It encompasses flows of information and capital, transportation of materials and goods, assembly and production, and ultimately the sourcing of raw materials and labour, all of which take place in different spatial and chronological frames. Global supply chains can arguably be seen as “hyperobjects”, a term created by Timothy Morton to describe objects so vast in space and time that one is unable to capture it fully (2010). Examples are global warming and financial markets, which occur everywhere and are too all-encompassing to grasp.

As such, a practical analysis of supply chains need to focus on a particular part, and theoretical analysis should make use of ideal types. For example, analysis can focus on the supply chain of a specific company, a product of that company, a product as it is produced by an entire sector, a supply chain at a particular site or geographical location. There is a difference in looking at Apple’s supply chain, the supply chain of iPhones, the supply chain of smartphones, and the supply chain of one production facility. Supply chains also take several forms. Some are characterised by a lead-company that has direct ownership over overseas subsidiaries. Other supply chains are not characterised by ownership but by a sourcing relationship. This means that the lead company outsources goods and services to one or more suppliers (International Labour Conference, 2016). Generally, most supply chains are characterised by complex relationships between many enterprises, all of which have different types of relationships with the businesses they supply to and source from.

In addition, supply chains are often characterised as being “producer-driven” or “buyer-driven” (Gereffi, 2001). This indicates who has most control over the production process. In case supply chains are producer-driven, lead companies partly or wholly own subsidiaries and suppliers. Yet, in the age of offshoring and outsourcing, many supply chains have become buyer-driven. This means that retailers and big brands exert greater influence on the production process, and do so by obtaining (intermediate) goods from suppliers (International Trade Union Confederation, 2016). The rise of buyer-driven supply chains means that production of goods has become increasingly fragmented. A producer-driven supply chain is characterised by ownership of subsidiaries by a lead company. This company therefore has great influence over

the supply chain. Lead companies in consumer driven supply chain can exert great influence as well, particularly considering that their influence grows as volume of their order increases.

The common term used for the different layers in global supply chains is “tiers” (International Labour Conference, 2016). The upper tiers tend to be the larger businesses and big brands. The lower tiers of supply chains are characterised by smaller businesses or individuals, who may even exist in the informal economy. Typically, global supply chains have one or more lead-firms that sell the final product or service to consumers. As such there are multiple companies that control or exercise a substantial degree of influence over other businesses in the supply chain. Problematically, the oversight of top-of-the-supply-chain companies on such practices is limited. This worsens as the work becomes further removed from lead companies through sub-contracting practices. In short, the supervision of labour standards becomes more difficult as the number of tiers increases (Ansett, 2007).

Due to their giant scope, it is difficult to precisely measure the effect global supply chains have on standards of employment. Consequently, understanding the employment conditions in global supply chains is mostly based on theoretical insights and case studies. Theoretically, global supply chains integrate developing countries into the world economy. This arguably helps to reduce poverty levels by creating employment opportunities. However, there evidence which shows that, because of the ways in which production and labour relations are structured within global supply chains, working conditions are at risk (Locke & Romis, 2007; Robinson, 2010; Boersma, 2014, 2016). This is problematic, as many of the exporting countries that feature prominently in global supply chains do so because they provide cheap labour. These countries typically do not have a history of strong labour rights (United Nations Human Rights Council, 2011). As such, the simplest example of the link between supply chains and labour abuses is that of a company requiring a good or service from a region that is known for poor working conditions, thus linking the sourcing party to these abuses.

Apart from global supply chains linking companies to poor labour standards and exploitation, global production can also incite and exacerbate abuses. For example, in a highly competitive global market where companies seek the cheapest labour, especially those companies who require standardised production can choose from a range of producers in various locations (Christopher & Towill, 2000). Once production becomes cheaper elsewhere, there is nothing to stop a lead company from switching suppliers, leaving many workers without a means to make a living (Harrison & Kelley, 1993). Local suppliers often attempt to deal with the threat of shifting production by cutting labour costs (Barrientos, 2013). Unfortunately, wages in many export-oriented countries are already low and often do not classify as a “living wage” (Anker & Anker, 2017). To compensate for these insufficient wages

many workers have no choice but to work excessive hours, well beyond the ILO limit of 48 hours a week. Even codes of conduct established by lead firms and suppliers often set a much higher limit than 48 hours (Smyth, Qian, Nielsen, & Kaempfer, 2013).

Pressure on wages and excessive overtime are further exacerbated by production regimes such just-in-time (JIT) production and lean manufacturing (Anner, Bair, & Blasi, 2013; Landsbergis, Cahill, & Schnall, 1999). JIT requires suppliers to ensure speedy and timely delivery. Lean manufacturing requires suppliers to produce at maximum capacity with minimum means (of labour). These dynamics also generate non-standards and precarious forms of employment. Instead of regular ongoing employment with a specific employer, workers are often engaged as contractors that must cope with a high degree of flexibility in the form of part-time, temporary or casual work (International Labour Organization, 2016c). These arrangements allow employers to treat their workforce with flexibility, depending on the demand for labour and the requirement to reduce labour costs. Another way in which competing suppliers deal with pressures in supply chains is by further outsourcing work to smaller companies, including small workshops and home-based labour (Robinson & Rainbird, 2013). This is significant as small and medium enterprises make up a large percentage of total employment in developing countries, many of which operate in the informal economy (International Trade Union Confederation, 2016).

Apart from the outsourcing of production, the employment relationship itself is also becoming increasingly fragmented through the work of labour hire companies and similar intermediaries (Weil, 2014). Problematically, fragmentation of the employment relationship implies that lead firms are not direct employers and are therefore not legally responsible for sub-contracted labour relationships. For example, sub-contractors who work in small workshops or perform work at home may not be covered by the same provisions that apply to workers in higher tiers of the supply chain. In cases where they are, it is difficult to verify and enforce compliance (Weil, 2010). This is particularly problematic considering that lead firms greatly influence working conditions in supply chains – for example by having time, cost and quality requirements. Yet through non-standard working arrangements they are not legally responsible for the undermining of labour standards that are the result of these pressures.

Finally, the increased demand for a specific good or resource can also lead to abuses down the supply chain. An example is cobalt, which is used in lithium-ion batteries of phones, tablets and laptops. The drastic increase in demand for cobalt resulted in a host of unregulated and unsafe mining activities to obtain this mineral (Wilson, 2017). This shows that global supply chains can also generate activity in the informal economy. In addition, machinations in supply chains can also stimulate activity in the dark economy. Due to the flexibility of global

supply chains and the relentless search for low labour costs, low-skilled jobs may appear and disappear abruptly. One of the issues associated with this volatility is the displacement of people in the form of labour migration (Frenkel & Yu, 2015). While labour migration is not bad in itself, intensifying cross-border streams of labour migrant have increased the risk of human trafficking and modern slavery (Crane, 2013; New, 2015).

### **1.5 Corporate Social Responsibility in Global Supply Chains**

In some instances, the term governance is more adequate than CSR when describing supply chain labour abuses. The reason for this is that, due to the existence of governance and enforcement gaps, there many actors involved apart from companies. These can include – but are not limited to – international governance bodies, national and local governments, CSOs such as NGOs and trade unions, and workers. This multiplicity of involved parties means that governance is sometimes a better term, as initiatives with public actors do not fit under the CSR umbrella. Yet, despite multiple actor configurations and initiatives, it will become clear that CSR and corporate self-regulation through private governance initiatives are front and centre in approaches to labour abuses in supply chains.

The environment in which governance arrangements are established has become fragmented. This is due to increased cross-border sourcing and production, and the fissuring of the workplace. This situation creates several challenges. For instance, labour regulation has a national scope. This means that MNCs operating in host countries will have to consider regulation that is different than that in their home country. In addition, in cases where brands and retailers source from one or more suppliers, by law lead companies do not have responsibilities towards workers in the same way as they do towards their own employees. As such, the governance of labour standards in global supply chains is characterised by a patchwork of jurisdictions, norms, and actors. Approaches therefore differ depending on national, industry and company factors. These complications are described as governance and enforcement gaps (Scholte, 2001; Weil, 2010). Initiatives to bridge these gaps occur on a spectrum that ranges from international framework agreements that emulate traditional collective bargaining (Fichter, Helfen, & Sydow, 2011), to market-based initiatives that produce voluntary standards (Reinecke, Manning, & Von Hagen, 2012)

#### *1.5.1 National Initiatives*

Safeguarding labour rights and working conditions in countries that are dependent on exporting goods and services poses a significant challenge. The institutional environment of export-oriented countries is often weak. These settings are not conducive to incite improvements to



labour standards. This can manifest in the absence of appropriate regulatory frameworks, as well as in the absence of enforcement (International Labour Conference, 2016). Due to the flexibility of supply chains, export-oriented countries stand to lose their competitive edge by introducing and enforcing the stricter labour regulation that raise productions costs. As a matter of fact, national governments of these countries have been highly active in stimulating the participation in global supply chains and in improving their country's competitive position.

A prominent way in which this has occurred is via the establishment of “export processing zones” (EPZs). Countries use these to market themselves as ideal candidates for offshoring of production. EPZs are meant to attract foreign direct investment. They are characterised by ready-to-operate manufacturing infrastructure and regulatory exemptions concerning taxes and (labour) laws. This lowers entry requirements for new investors (International Labour Organization, 2015). EPZs have been subject of substantial criticism, as they can form the preconditions for the violation of labour rights. It is estimated that China alone has 300 EPZs. One-fifth of exports from developing countries derive from these special zones (Zeng, Zhang, Chen, Yang, & Su, 2012). Research shows that while EPZs provide a competitive advantage and increase foreign direct investment. Yet this often comes at the price of cutting wages and undermining labour standards (Akinci & Crittle, 2008).

It goes without saying that governments of nation-states have a duty to enforce labour regulation. Labour administration and labour inspection are traditionally considered to be core functions of the state. Nation-state governments are also principle actors in ratifying and enforcing ILO Conventions. At the same time, the previous paragraphs show that there is no denying that the traditional state-based regulatory approach to the governance of labour has come under pressure in the globalised economy. This is especially true considering that production has become fragmented across jurisdictions. However, this does not mean that state-based regulation does not have an important role to play. On the contrary, there are several tools to safeguard working conditions in global supply chains have a national basis.

An example is the California Transparency in Supply Chains Act, which came into effect in 2012. This act is state-based, as it is enacted in California, the sixth largest economy in the world (Vekshin, 2016). Yet the act does have international implications. It requires enterprises doing business in California, with revenue that exceeds US\$ 100 million, to report on efforts to combat slavery and trafficking in supply chains. A similar act came into force in the United Kingdom in 2015 – the Modern Slavery Act. This act requires companies with annual income of over 36 million pounds to disclose their efforts to abolish slavery and trafficking in supply chains. This act also has international implications, as it applies to non-UK companies that have UK subsidiaries and meet the income requirements. It also covers

non-UK companies that exceed 36 million pounds in sales in the UK. Australia introduced an act very similar to the Modern Slavery Act in the UK, imposing disclosure requirement onto companies that meet a certain income threshold. Despite the obligation to disclose under these acts, companies can choose their own course of action (O'Brien & Boersma, 2016). This implies a continued reliance on the self-regulatory capacity of companies

### *1.5.2 International Initiatives*

In addition to national governance mechanisms, international bodies and tools exist that aim to safeguard labour standards and human rights in global supply chains. Many of these international governance initiatives, often referred to as multilateral governance initiatives, build on the power of nation-states to regulate and enforce labour rights. For example, the ILO Declaration on Fundamental Principles and Rights at Work commits UN member states to respect four areas, regardless of member states having ratified the corresponding ILO Conventions. These are freedom of association and collective bargaining; eradication of discrimination in the workplace; eradication of forced labour; and the abolition of child labour (International Labour Organization, 2010). The ILO has many initiatives, such as the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), the Social Justice Declaration of 2008, and the Future of Work Initiative. Recently, decent work has been recognised as a global goal in the 2030 agenda for sustainable development (International Labour Conference, 2016).

International trade agreements also classify as a form of multilateral governance. This is because they commonly include labour provisions and therefore have the potential to uphold labour standards. However, trade agreements often include exemptions for MNCs and investors. Examples are tax exemptions and the creation of EPZs where national (labour) laws and regulation may not apply or do so to a lesser extent (Tsogas, 1999). The easing of regulatory “burdens” lead to the undermining of labour standards. In addition, tax exemptions may indirectly lead to a degradation of work, as less tax income could result in less resources for labour administration and inspection. In instances where the institutional environment of a host country is weak, labour provisions in trade agreements may however potentially improve working conditions (International Labour Organization, 2016b) .

Another prominent international tool is formed by the UN Guiding Principles on Business and Human Rights (UNGPs). The UNGPs apply to states as well as to businesses and are based on three pillars. For public actors to protect human rights, for private actors to respect human rights, and for both to ensure that victims have access to remedy (United Nations Human Rights Office of the High Commissioner, 2011). Although the UNGPs are not legally

binding, the UNGPs do build on traditional governance models in which state governments safeguard labour and human rights based on laws and regulation. The key elements of the UNGPs consist of a public corporate commitment to respect human rights in operations and supply chains, a pro-active due diligence approach to identify and mitigate human rights risks, and a process that provides access to remedy (Ruggie, 2013). The effects of the UNGPs on CSR and approaches to supply chain abuses will be more closely discussed in chapter four.

### *1.5.3 Private Initiatives*

Apart from national and international governance mechanisms, there are an increasing number of governance initiatives that involve private actors such as companies and industry bodies. This is where supply chain governance most notably converges with CSR. Initiatives include corporate social and environmental disclosures, codes of conduct, certification systems and social auditing (OECD, 2001). For instance, lead companies that have ownership over suppliers, or have substantial bargaining power through the volume of their demand for goods or services, can impose self-formulated standards onto suppliers. This can occur through the establishment of a supplier code of conduct, which suppliers need to adhere to keep receiving orders. These codes of conduct or policies can apply to aspects such as health and safety, working hours, compensation and other labour related elements (Vogel, 2008).

Private governance can potentially bridge the gap between laws and regulation in home countries versus that in host countries. Even if companies are solely motivated for marketing and reputational reasons (Bartley, 2007). Private governance can also assist in enforcement of labour rights. While effective international and state-based governance may exist on paper, in practice it can be difficult to enforce them and monitor compliance. This specifically applies to developing countries and emerging markets, which may lack appropriate and robust institutions. In such cases, private standards can be a useful mechanism to close governance and enforcement gaps, while appropriate auditing can ensure compliance (Vogel, 2010).

Problematically, increased reliance on private governance can undermine the traditional function of public governance mechanisms. Put differently, emphasis on private governance may structurally decrease the role of labour administration and labour inspections as core functions of the state. Another concern is that private governance does not always include third parties that independently verify compliance, or contain worker participation (Scherer, Palazzo, & Baumann, 2006). This means that the effectiveness of private governance often solely depends on the self-regulatory capacity of companies. This may result in half-hearted approaches. Examples are adopting weak codes of conduct, only focusing on issues at first-tier suppliers, or simply neglecting to address pressing and difficult issues deeper in the

supply chain. Half-hearted approaches are likely to arise in cases where rigorous action may negatively affect the company's financial bottom line (Boersma, 2017b).

Apart from at the company level, an increasing number of private governance initiatives are taking place at the industry-level. The benefit of such an approach is that it creates a standard of behaviour across the sector, whereby lead firms can make an example out of laggards. Other upsides are the application of a single standard in the sector, through which duplication of policies and compliance procedures can be avoided (Giovannucci & Ponte, 2005). An example is the Responsible Business Alliance (RBA), formally known as the Electronics Industry Citizenship Coalition (EICC). The RBA code of conduct makes reference to international labour standards concerning forced and child labour, health and safety, working hours, compensation, as well as freedom of association and collective bargaining. An updated code came into effect at the start of 2018 (Responsible Business Alliance, 2018). The downsides of industry-led initiatives are similar to the shortcomings of company-led initiatives. It shifts the focus away from the role of the state, while increasing reliance on the voluntary and self-regulatory capacity of companies and industries.

#### *1.5.4 Multistakeholder Initiatives*

There is a growing number of governance initiatives that involve a combination of businesses and CSOs such as trade unions and NGOs. These are classified as multistakeholder governance initiatives or simply multistakeholder initiatives (Fichter et al., 2011). As is the case with private governance initiated by companies or industry associations, the influence of lead companies is used to encourage suppliers to make changes to working conditions (Utting, 2002). However, in contrast to company or industry initiatives, in which companies are supposedly voluntarily abandoning their search for ever cheaper labour, the involvement of CSOs arguably makes these initiatives more robust. CSOs can pressure companies to comply with accepted labour standards and bring a level of scrutiny to these initiatives.

Private governance can include companies or industries self-regulating, as well as CSOs and companies working together to regulate supply chains (Fransen & Kolk, 2007; Reinecke & Donaghey, 2015). Unlike private governance that originates in the efforts of companies and industry peers, and can therefore be considered as a one-sided initiative, multistakeholder initiatives are private initiatives based on a plurality of views and a collaborative approach. While private governance commonly builds on existing legal frameworks, private governance is often initiated because public governance falls short. When this is the case, for example in instances where freedom of association or the right to

collectively bargain is curbed, the efforts of companies and CSOs may offer the only way to bring attention to and remediate issues (Frenkel, 2001; Williams, Abbott, & Heery, 2017).

There are several examples of multistakeholder initiatives. One is the International Cocoa Initiative, which aims to ensure a better future for children and their families in cocoa-growing communities. Another is the Ethical Trading Initiative, which unfolds initiatives globally and in different sectors that incorporate companies, trade unions and non-governmental organisations. While considered to hold a lot of potential, multistakeholder initiatives are also subject to criticism. For example, the International Cocoa Initiative has been accused of purposefully including CSOs with little status, merely to generate a legitimate image while making little progress. The participation of weaker CSOs is said to make it easier for companies and industry organisations to gain the upper hand (Dentoni & Peterson, 2011). Regardless of whether these criticisms are valid, the participation of CSOs in supply chain governance is a relatively new phenomenon and requires more attention. Chapters four and five will look at the role of CSOs in supply chain governance, specifically by focusing on the conditions for success and legitimacy.

## **1.6 Civil Society Organisations and Corporate Social Responsibility**

The previous sections have shown the impact of global supply chains on working conditions. Supply chains have also marginalised the role of nation-states in safeguarding labour standards, and the increased reliance on private governance initiatives by non-governmental stakeholders. Concerning the last point, it is argued that the declining role of traditional institutions is offset by alternative forms of organisation “in the realm of symbolic politics, and in the development of issue-oriented mobilizations by groups and individuals outside the mainstream political system”. As social movements influence political agendas, “the process of globalization is subject to public debate [...] and is no longer assumed to be a natural process, resulting from the inner logic of technology and the market” (Castells 2009a, p. 159).

The following paragraphs will discuss the emergence of global civil society, while examining its envisaged role in the governance of global issues. I will discuss the ambiguity surrounding global civil society. I will also pay attention to some of the upsides and downsides of the increased influence of CSOs, and the changes in strategies of CSOs now that collaboration with companies has become a viable course of action in addition to pressuring them. The following sections are not meant to settle the discussion about the definition of global civil society or come to a normative conclusion regarding its existence or purpose. I will adopt the following working definition. Regardless of being local, national or international CSOs, what constitutes global civil society are the transnational issues that these organisations

focus on. In that way, they serve as a counter-force to the dominant institutions in society, and as an alternative to traditional institutions that have come under pressure due to globalisation.

### *1.6.1 Defining Global Civil Society and its Role in Global Governance*

While CSOs with an international focus experienced massive growth in the twentieth century, the conceptualisation of global civil society came of age in the early 1990s (Boli & Thomas, 1997). Academic inquiry took a leap forward with the publishing of the *Global Civil Society Yearbook* by the London School of Economics. This publication has which appeared annually since 2001. In the first edition of the yearbook, global civil society was branded as “the sphere of ideas, values, institutions, organisations, networks, and individuals located between the family, the state, and the market and operating beyond the confines of national societies, polities, and economies” (Anheier, Glasius, & Kaldor, 2001). The 2000s saw global civil society acquire prominence in academic circles. Many scholars have stressed the importance of CSOs in global governance (Doh & Teegen, 2002; Teegen et al., 2004).

The envisaged importance of CSOs in global governance was also met with scepticism. Some scholars argued that CSOs, particularly Western NGOs active in developing countries, represented a new form of cultural and economic colonialism (Petras & Veltmeyer, 2001). Although this criticism seems harsh, the increased influence of CSOs does deserve scrutiny. Not all CSOs are necessarily virtuous, and neither are they immune to Northern bias (Munck, 2002, 2006). Over the last decade academics have become more critical in their views of global civil society. They have started to contest its Eurocentric nature and Western narrative, raised concerns about the ways in which CSOs can erode procedural democracy, and put question marks around the definition of global civil society (Anheier, Kaldor, & Glasius, 2012).

The definition of global civil society and its discourse have been subject of debate. Munck (2002) points out that the grand concepts used in theorising about global civil society have led to conceptual inflation. In such cases it is attempted to explain too much using broad concepts such as “democracy” and “community”. Munck moves beyond the definitional and normative discussion by viewing global civil society as a political challenge between actors. Munck thereby brings conflicting and complex elements from reality back into the debate (2006). In its early vision for this decade, the *Global Civil Society Yearbook* agree with Munck in seeing global civil society as a political struggle. “For the decade that has just begun, we foresee continuing political turbulence – a period not of consolidation but of experimentation and mobilisation, in which civility and uncivility, emancipation and reaction struggle to shape the discourse of the next phase of human development.” (Anheier et al., 2012, p. 23)

Academic inquiry into global civil society has therefore found a middle-ground between starry-eyed optimism and scholars arguing that CSOs represent a new form of Western imperialism guided by Eurocentric values. I agree with the prevalent view that global civil society, and the discursive field that it is part of, are evolving concepts being driven by the political struggle between several actors focusing on transnational issues. The next sections will discuss the strategies that CSOs adopt to hold companies accountable for their actions in their supply chains. It will focus on the standing that CSOs have in society, how CSOs can pressure companies into changing their behaviour, and how CSOs also increasingly try and achieve change by entering into partnerships with companies. The section will conclude with an examination of the theoretical views on multistakeholder collaboration.

### *1.6.2 The Strategies of Civil Society Organisations in Holding Companies to Account*

CSOs such as trade unions and NGOs generally enjoy strong societal standing. The common view is that they work with the public interest in mind rather than being driven by self-interest (Arenas, Lozano, & Albareda, 2009). Because they are regarded positively, CSOs form a powerful tandem with the media. This which allows them to inform the public and shape their expectations. CSOs are therefore powerful actors in ensuring that companies behave in a responsible fashion and are held to account for any misbehaviour. Indeed, chapter three will show how CSOs used the media to bring attention to labour abuses in the Apple supply chain. CSOs generally have two ways of achieving changes in corporate behaviour: by pressuring companies – mostly through threatening corporate reputation – and by collaborating with them.

Den Hond and De Bakker (2007) brand collaborative efforts as *symbolic gain* and name contrasting strategies as *symbolic damage*. This latter strategy revolves around generating public pressure in order to implement the measures proposed by CSOs. In such scenarios information management and public relations play a key role (Greenberg, Knight, & Westersund, 2011). Symbolic damage campaigns leverage the risk of damage to corporate reputation (Wright, 2016). This can force a company to acknowledge the negative impact of its actions, help to design and implement sustainable solutions, and expose symbolic gestures that lack substance (S. Vachani, Doh, & Teegen, 2009). Skippari and Pajunen (2010) emphasise the importance of companies responding promptly to this kind of pressure, as enduring conflict decreases the company's control over the situation.

In part because CSOs generally enjoy good standing and form an influential tandem with the media, companies are usually responsive to concerns raised by CSOs. However, there are several reasons why a company chooses to align its objectives with those of CSOs. As discussed in the introductory chapter, the assumption that corporate goals and public interest

simply coincide does not offer a satisfactory explanation for the actions by companies. In a neoliberal context, corporate motivations to meet societal expectations are mediated by market mechanisms. This assumption is given credence by research that suggests that failure to gain community approval can result in substantial costs for companies, not only in financial terms but symbolically through endangerment of the “social contract” (Deegan & Blomquist, 2006).

When community approval of corporate activities is threatened, companies can respond in a symbolic and well as in substantive manner. Symbolically, the expectations of the community, reverberated and amplified by CSOs, can for example influence the social disclosures of companies (Boersma, 2013b; Higgins, Stubbs, & Milne, 2018). There are also examples of situations in which CSOs have accomplished symbolic *and* substantive changes in corporate behaviour (Boersma, 2015a). Nike and Levi-Strauss are early examples of companies being held accountable for its activities in its global supply chain. These companies were linked to child labour and poor labour conditions in the 1990s. In response to pressure by CSOs, these companies introduced policies to protect labour standards and involved local CSOs in factory audits, which are examples of symbolic and substantive action (Doorey, 2011).

The Nike and Levi-Strauss examples show that apart from pressuring companies to change their behaviour, CSOs can also form partnerships with companies to address particular issues. In this instance by being involved in the factory auditing process. Doh and Guay (2004) suggest that CSOs will achieve greater impact when intervening early in issues and by forging coalitions with other CSOs, companies and governments. Yet, Burchell and Cook (2008) have argued that while stakeholder collaboration may result in organisational learning and sustainable solutions in the long term, it is difficult for these outcomes to manifest in the short term. A report commissioned by several CSOs found that the role of organisations as key units of analysis and action belongs to the industrial age. The role of organisations is giving way to the role of networks in the information age (Waddell, Kane, Billenness, & O’Meara, 2004). This envisaged role of cooperative networks shows the importance of strategic partnerships to influence corporate behaviour, which is especially relevant in the complex environment of global supply chains.

### *1.6.3 Developing a Better Understanding of Multistakeholder Partnerships*

Theoretical explanations of CSO-company interaction has predominantly relied on institutional and stakeholder theory. Explanations have modelled the situations in which these actors engage (Burchell & Cook, 2006a, 2006b, 2008; Doh & Teegen, 2002). Interactions have also been explained in terms of social capital (Putnam, 2000), in an attempt to analyse the dynamics between multiple stakeholders (Adler & Kwon, 2002; Fukuyama, 2001; Teegen, 2003). Others



have pointed to the legitimacy battles that CSOs, companies and governments conduct. Here actors try to influence other stakeholders to gather support for their goals (Zietsma & Winn, 2008). Skippari and Pajunen (2010) have argued that it is critical for CSOs to overcome the label of “foreignness” when operating across borders by establish legitimacy with local stakeholders. This suggests that unless a CSO is perceived as legitimate, especially in the eyes of local stakeholders, it is unlikely that the CSO can effectively challenge corporate behaviour.

Many scholars point to the benefits of multistakeholder collaboration. Yet there are those who argue that these partnerships can subvert the economic imperative of the firm, or undermine the independence and legitimacy of the CSO (Millar, Choi, & Chen, 2004). Others caution for optimism as minimalist partnerships will deliver minimal outcomes (Egels-Zandén & Hyllman, 2006; Jamali & Keshishian, 2009). Lucea (2010) points out that differing cognitive perspectives on firm-CSO collaboration can cause considerable gaps between images that actors choose to project through collaboration, and how these image are perceived by others. Higher cognitive accuracy, or similarity of perceptions and goals, will result in more effective collaborative initiatives, while dissimilarities are likely to have the opposite effect.

In the context of the increase in partnerships to address issues in global supply chains, actors may include local unions and global union bodies (Croucher & Cotton, 2011). Other potential actors are social movements and NGOs (Bartley, 2007), intragovernmental bodies such as International Labour Organization, other UN agencies (Utting & Zammit, 2009), and of course companies (Kourula, 2010). In the context of improving working conditions in supply chains, Donaghey and colleagues (2014) have highlighted that research into understanding different aspects of multistakeholder partnerships is ongoing. Interpretations are often incomplete and fail to consider the wide range of actor motivations. Given the array of actors and motives, chapter four and five will explore the dynamics of multistakeholder partnerships in addressing exploitation in supply chains. The aim is to develop a better understanding of the promises and pitfalls of these initiatives.

### **1.7 Corporate Social Responsibility: An Ambiguous and Evolving Concept**

The national, international, private and multistakeholder responses to labour abuses in global supply chains has been discussed in previous paragraphs. Due to the economy becoming increasingly globalised and interdependent, during the 1990s and 2000s CSR became a global phenomenon. In a report published in 2001, the Organisation for Economic Co-operation and Development (OECD) mapped several CSR trends. A key finding was that although CSR had evolved into a global concept, local differences exist that are based on diverging institutional settings (OECD, 2001). Relatedly, the OECD found that the success of CSR was – at least in

part – related to the quality of public governance (OECD, p. 10). This demonstrates that CSR, as a voluntary and self-regulatory initiative mediated through market mechanisms, evidently benefits from strong public governance and institutional environments.

Broadly speaking, in the 2000s scholars appeared to accept the ambiguity of CSR. It is noted that definitions of CSR always encompass a range of “society’s expectations as to the role and responsibilities of business” but that none of the definitions can conclusively be regarded as “the’ definition of CSR” (Kakabadse, Rozuel, & Lee-Davies, 2005, p. 281). Kakabadse and co-authors identify eight dimensions of CSR definitions. 1) CSR and corporate philanthropy are not the same thing; 2) CSR has a long-term focus; 3) CSR goes beyond legal frameworks; 4) CSR embodies the notion that companies are accountable to stakeholders; 5) CSR is associated with the idea of the “social contract” or the “social license to operate”; 6) CSR revolves around the power and responsibility of companies; 7) corporate activities needs to have a legitimate basis; 8) CSR is dynamic and context dependent (2005).

The identification of the dimensions of CSR definitions enables an analysis of how the current CSR paradigm may be changing. For example, one of the core elements is that CSR has a long-term focus. Yet, chapters four and five will show that companies have traditionally been responsive instead of proactive in matters of social responsibility. This implies a focus on issues that companies are confronted with, rather than on issues that (potentially) lie in the future. Another core element, the notion that CSR goes beyond legal frameworks, is also contested in chapter four. As the UNGPs integrate the power of nation-states and that of companies in addressing human rights, the demarcations between legal frameworks and CSR are becoming less clear-cut. Finally, while CSR is indeed associated with the “social contract” and the “social license to operate”, chapter two will suggest that the social license to operate may comprise a legitimising myth that serves to maintain the contemporary CSR paradigm.

The ambiguous character of CSR does not only become clear in the various definitions, but also becomes apparent with regard to theory. It is noted that there is a “proliferation of approaches [to CSR] which are controversial, complex and unclear” (Garriga & Melé, 2004, p. 51). This has resulted in a taxonomy of CSR theories, with several categories focusing on distinct dimensions. Instrumental theories (CSR as a tool to achieve financial goals), political theories (CSR as an expression of the relation between business and society), integrative theories (CSR as a mechanism for business to integrate social demands), and ethical theories (CSR as the expression of ethical business practices) (Garriga & Melé, 2004, pp. 65–66). Chapter two will show that legitimacy theory can harmonise these dimensions of CSR, which is why legitimacy as a management concept will inform the theoretical analysis of this research.

## **1.8 Challenging the Corporate Social Responsibility Paradigm**

This chapter has shown that CSR is an evolving concept. Early conceptualisations emphasised on corporate philanthropy, which over the years evolved into a stakeholder focus. The most recent challenge for CSR is labour exploitation in global supply chains, and overcoming governance and enforcement gaps. The idea of corporate social and environmental responsibilities has become commonplace. Yet the literature also shows that the notion of responsibilities of companies beyond making profits has been met with scepticism. Although the social and environmental responsibilities of companies are generally accepted, these objectives are pursued through voluntary and self-regulatory corporate approaches. This particularly occurs in weak institutional environments that characterise global supply chains.

The relationship between CSR and company profitability highlights the economic basis on which it operates. While there are other approaches in addition to this instrumental perspective, in the introduction I have argued that CSR should be viewed in connection to the market. Rather than relying on legal frameworks to correct the behaviour of companies, CSR operates on the basis that companies are rewarded or punished in the marketplace by consumers and investors. This notion is related to the social contract. If corporate activities are deemed illegitimate by stakeholders then organisational legitimacy is threatened, which can result in financial repercussions. Ostensibly, this will prompt companies to change their conduct. CSR is thus said to balance corporate financial goals with desirable outcomes for stakeholders.

This CSR paradigm is currently being put to the test. Global supply chains link companies to a range of new stakeholders and labour abuses, while this production regime can also exacerbate exploitation. Global supply chains create scenarios in which the number of (potential) stakeholders and their claims are drastically multiplied. Due to the shortfall of international and national regulation, there is an ongoing and increased reliance on the self-regulatory capacity of companies. The role of CSOs in exposing corporate misbehaviour and in collaborating with companies has become greater as well. Yet, the effectiveness of the CSR paradigm in resolving labour exploitation in global supply chains is questionable.

The next chapter will focus on CSR and theory. There are multiple ways to conceptualise CSR. How can we theoretically explain the actions of companies, CSOs and other stakeholders to address social issues in global supply chains? I argue that legitimacy theory has the capacity to capture and harmonise the different dimensions of CSR. This is why legitimacy as a management concept will inform the theoretical analysis in the next chapter. In making use of legitimacy as a theoretical construct I will also take a critical approach, meaning that I will also reflect on its potential shortcomings and explore avenues for its expansion. In the context of this research, a critical approach to legitimacy and CSR entails exposing the

contingent nature of these concepts and challenging their underlying assumptions, with the aim of enabling more effective ways of addressing supply chain labour abuses.

## **Chapter 2: Legitimacy, Theory and Corporate Social Responsibility**

This chapter is dedicated to legitimacy and its use in management studies. It will explore how this concept can be applied in context of supply chain labour abuses, and how it explains the actions of companies and stakeholders. The first part of the chapter will elaborate on the critical approach I take to legitimacy and CSR. This part will be followed by a discussion of the evolution of legitimacy as an explanatory concept, the assumptions underlying its use, and the identification of the different types of legitimacy. It will then examine how legitimacy is linked to other theories, discuss threats to organisational legitimacy, and examine how companies manage these threats. Finally, the chapter will outline ways to broaden the use of legitimacy in a management context by introducing notions from another discipline. I will propose to expand its theoretical application by introducing concepts from social dominance theory.

The idea that is central to legitimacy is that organisations need to consider expectations and pressures emanating from society. Organisations need to deal with these factors accordingly in order to retain legitimacy and continue their enterprise (Suchman, 1995). For commercial organisations, this means they should consider the dynamics of the market, the interests of shareholders, and consider wider community expectations. This description signals the strong association of legitimacy with stakeholder theory (Idowu, Capaldi, Zu, & Gupta, 2013). Legitimacy complements stakeholder theory by providing an abstract concept that provides a motivating factor for companies in stakeholder engagement. Legitimacy is the concept that can be threatened and granted by its stakeholders, and it provides stakeholders with leverage in dealing with companies. Legitimacy, as a theoretical construct, therefore allows for an enhanced analysis of the dynamics between companies and their stakeholders.

I will argue that legitimacy can be used to analyse the dynamics around corporate social responsibility. It can explain the factors that underlie the voluntary and self-regulatory activities of a company that are intended to have a positive impact on society. I contend that legitimacy theory can explain the actions of actors such as companies and CSOs within global supply chains. As chapter one shows, governance and enforcement gaps in supply chains have increased the reliance on corporate voluntarism and self-regulation – embodied in CSR. The role of CSOs in pressuring and cooperating with companies has similarly grown. Against this backdrop, this chapter will examine how organisational legitimacy can be obtained, threatened, repaired, and managed. In addition, the critical analysis and proposed theoretical expansion of legitimacy exposes weaknesses in several assumptions that underlie CSR. This assists in explaining why many CSR initiatives do not result in structural improvements.

## 2.1 Taking a Critical Approach to Legitimacy and Corporate Social Responsibility

Before I will discuss the multifaceted character of legitimacy as a theoretical concept, I will briefly elaborate on critical theory. I will explain how a critical approach to legitimacy and CSR informs this research. Based on radical social theories associated with thinkers of the Frankfurter Schüle, critical theory questions the general assumptions of Western positivism (Tarr, 2017). The Frankfurter Schüle initiated a debate around non-positivism in social sciences and aimed to lay bare the dominating structures in societies that subjugate the revolutionary potential of those that are oppressed or marginalised. In this view, theory is meant to expose the dominating mechanisms in society: “theory never aims simply at an increase of knowledge as such. Its goal is man’s emancipation from slavery” (Horkheimer, 1972, p. 246).

Apart from the Frankfurter Schüle, there are two French thinkers who influence my critical approach to legitimacy and CSR. These are Michel Foucault and Pierre Bourdieu. A key objective of Foucault’s work was to show the contingent character of what is universally accepted: “Criticism [is] to show that things are not as self-evident as one believed, to see that what is accepted as self-evident will no longer be accepted as such” (Foucault, 1988, p. 155). Foucault denies the universality, completeness or stable state of discourse: “[...] pre-existing forms of continuity, all these syntheses that are accepted without question, must remain in suspense” (Foucault, 2002, p. 28). Therefore, regarding the CSR paradigm as fixed ignores the alternatives and curbs possibilities of changing prevalent norms. Discourse should not be seen as “once and for all subservient to power or raised up against it, [discourse] can be both an instrument and an effect of power, but also a hindrance, a stumbling-block, a point of resistance and a starting point for an opposing strategy” (Foucault, 1998, pp. 100–101).

Pierre Bourdieu’s work is also concerned with contesting the structures that facilitate social domination. He branded globalisation as “fake universalism”, which “serves in reality the interest of the dominant [and] leaves citizens isolated and disarmed in the face of the overwhelming power of transnational corporations [...]” (Bourdieu, 2003, p. 23). He used symbolic power to conceptualise the changing or maintaining of the arbitrary values of non-economic capital, exercised by institutions (i.e. a company) and institutionalised social relations (i.e. stakeholder relations). Symbolic violence occurs when social agents mistakenly recognise arbitrary social norms as natural, thereby unwittingly maintaining the status quo (Bourdieu & Wacquant, 2004). For Bourdieu, symbolic violence is what upholds social inequality in modern societies. Symbolic violence makes it difficult for social agents to be critical about the status quo. Social theory should lay bare the workings of symbolic power, and offer tools to help social agents overcome domination (Bourdieu & Wacquant, 1992).

I will not directly operationalise the methods of the Frankfurter Schule, or of Foucault and Bourdieu. Rather, they illustrate what it means to critically engage with social theory. The key point is to question conventional notions, especially those notions which go largely uncontested and uphold the status quo. In the context of this research, that means questioning the taken for granted approaches to address supply chain labour exploitation. It means challenging the assumptions that justify these approaches, and thereby generating emancipatory knowledge. This task is aided by taking a cross-disciplinary approach and by applying knowledge from other scholastic areas. For example, feminist, queer and radical ecological perspectives are often used to criticise notions that are taken for granted in management studies (Parker, 2001; Spicer, Alvesson, & Kärreman, 2009). This research will borrow concepts from social dominance theory to critically analyse CSR, thereby broadening the use of legitimacy as a management concept. I aim to uncover the contingent nature of CSR, challenge its associated logic and underlying assumptions, and expose shortcomings of conventional approaches to labour abuses in global supply chains.

## **2.2 Exploring the Multifaceted Character of (Organisational) Legitimacy**

Legitimacy has several definitions and interpretations. It is used in a range of disciplines, such as political science, philosophy, psychology, and sociology (Suddaby, 2016). Legitimacy as a scholarly concept has its origins in sociology. Max Weber's seminal work at the start of the twentieth century discusses legitimacy as a broad political and social concept. Weber focuses on power, and identifies "traditional", "charismatic" and "rational-legal" legitimacy (Weber, 1978). Weber stressed that power is legitimate if it is perceived as such in the eyes of those over whom power is exerted. This observation has several implications. Legitimacy is related to power, it is dependent on the perception of social actors and thus subjective, it can be bestowed on those in power by those that are subject to that power, and the perceptions of social actors who can bestow legitimacy can be influenced by those that exert power.

These implications indicate that legitimacy is a concept that has many different facets. Indeed, in a recent review of this concept and its use in a management context, it has been argued that "Legitimacy has emerged as a pivotal but often confusing construct in management theory" (Suddaby, Bitektine, & Haack, 2016, p. 1). While legitimacy has many dimensions, the definitions share number of common characteristics. In an influential article, Suchman defines legitimacy as a "[...] generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995, p. 574). Legitimacy has similarly been described as the attitude

of people towards durable elements of society (Hybels, 1995), and as a “social construct based on cultural norms” (Nasi, Nasi, Phillips, & Zyglidopoulos, 1997, p. 300).

These definitions show that legitimacy is not a static concept. Rather, it is continuously shaped by changing social values and expectations of individuals and groups, and how organisations need to conform to these expectations. Therefore, while legitimacy revolves around aspects of society that are durable, societal values are diverse and ever-changing. The views of the public on whether associated behaviour is legitimate is therefore subject to change. This means that, in a practical sense, legitimacy is difficult to grasp, and once bestowed can also be threatened and taken away. It has been argued that legitimacy is not something that an entity either does or does not possess (O’Donovan, 2000). Furthermore, as legitimacy is in a constant state of flux it is something that needs to be managed. Three driving factors have been identified as motivations for organisations to manage their legitimacy, which are to gain, maintain or repair legitimacy (Ashforth & Gibbs, 1990).

Weber’s description of legitimacy does not fully translate to organisational legitimacy. Weber considers whether a governing entity that exercises power does so in a way that is viewed as legitimate by those who are subjected to that power. Arguably, this concerns a straightforward view of a power relationship between those that govern and those that are governed. However, for companies, the existence of a variety of stakeholders means that not every actor is subject to a comparable exercise of power. For example, not all stakeholders will be under direct control of the company in the way that employees are. Furthermore, when CSOs make claims on behalf of stakeholders they act as intermediaries. I contend that organisational legitimacy is concerned with the question whether companies use their power responsibly in the eyes of their stakeholders. The particular position of affected stakeholders vis-à-vis the company is important. The relationship between companies and a particular stakeholder defines the capacity of the stakeholder to question organisational legitimacy. Similarly, this capacity is influenced by how widely stakeholder values are shared.

Apart from legitimacy in a broad socio-political sense, we therefore also have to look at the development of organisational legitimacy. Legitimacy in a general sense is closely related to organisational legitimacy. “Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it” (Davis, 1973, p. 314). Dowling and Pfeffer argue that, in order for a company to continue to exist, there must be “congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are apart” (1975, p. 122). It becomes clear from these descriptions that, when there is a rupture between the broader value system and the nature and impact of corporate activities,



a company's legitimacy can come under threat. Sethi coined an fitting term to describe this rupture: "legitimacy gap" (1975). The existence of legitimacy gaps and how they are managed will be discussed in sections to come.

There are various definitions of (organisational) legitimacy. The multi-faceted nature of this concept is also apparent in the different taxonomies that are used to classify legitimacy according epistemological and ontological factors. Suddaby and co-authors identify three ways in which researchers understand legitimacy. "Legitimacy as a property", which regards legitimacy as a resource that an entity either does or does not possess based on the existence or non-existence of a legitimacy gap; "legitimacy as a process", which sees legitimacy as constructed in an interactive process, the process thus granting legitimacy; and "legitimacy as a perception", which focuses on its perception and evaluation and sees cognition as the primary mechanism through which legitimacy is constructed (2016).

Prior to Suddaby et al., Suchman (1995) classified legitimacy into three types. "Pragmatic legitimacy", which describes whether the characteristics of a company enable it to achieve its practical objectives; "moral legitimacy", which refers to the congruence of organisational values with the normative expectations of the environment that surrounds it; and "cognitive legitimacy", which rests on the organisational image and the acceptance of this image by society. While distinct, there are links between these types of legitimacy. Arguably the first step in managing organisational legitimacy is gaining, maintaining, or repairing *cognitive* legitimacy. This in turn results in company enhancing its *moral* legitimacy, as it becomes attuned with normative expectations of society. This ultimately grants a company *pragmatic* legitimacy by enabling it to achieve its goals unhindered. Regardless, all types of legitimacy show that it is an essential yet intangible resource for companies. It can be threatened by various factors and thus needs to be managed carefully (Tilling & Tilt, 2010).

Suchman's typology demonstrates that moral legitimacy exists at the centre of legitimacy as a theoretical construct. Without the normative views of the social environment in which the company is embedded there is no frame of reference to judge the actions of a company. Without the normative views of the public, legitimacy cannot be used to explain organisational activities. Surprisingly, it is not exactly clear what the repercussions are of organisational legitimacy being negatively affected. Davis (1973) says that organisations can lose legitimacy, while Dowling and Pfeffer argue that an organisation needs legitimacy in order to continue to exist (1975). Clearly, due to the nature of commercial enterprises, when organisational legitimacy is affected this has financial consequences (Samkin, Allen, & Wallace, 2010). In the regulatory vacuum of global supply chains, CSO campaigns and

possible financial repercussions pose a large threat to organisational legitimacy. Yet there is no guarantee that stakeholders will have sufficient influence to change corporate conduct.

### **2.3 Legitimacy (and) Theory**

The taxonomy by Suddaby et al. illustrates that the various conceptualisations of legitimacy can be linked to different theories. Legitimacy as a property is related to resource dependence theory. This explains the behaviour of an organisation on the basis of their need for resources such as labour or capital (Hillman, Withers, & Collins, 2009). Legitimacy as a process can be linked to stakeholder theory. Stakeholder theory has descriptive, instrumental, and normative dimensions, and is concerned with how companies manage the (competing) demands of their stakeholders (Donaldson & Preston, 1995). Legitimacy as a perception can be linked to reputational and impression management theory (McDonnell & King, 2013). This revolves around the portrayal of the corporate imagery.

Aside from the theories that can be linked to the taxonomy of Suddaby and co-authors, there are two other theoretical perspectives that are linked to legitimacy. Institutional theory and political economic theory. Institutional theory examines how organisations deal with normative pressures, which frequently occurs by copying accepted practices displayed by other organisations (DiMaggio & Powell, 1983). In the context of organisational legitimacy, this means that organisations are more likely to survive if legitimacy is obtained by conforming with its institutional environment. Similarly, it can mimic other organisations that it shares this environment with. In other words, institutional theory contends that organisational legitimacy can be gained by organisations conforming to conventional practices (Haack, 2012).

Political economy is another theoretical viewpoint often linked to legitimacy. It has been described as: “the social, political and economic framework within which human life takes place” (Gray et al., 1996, p. 47). Essentially, this theoretical viewpoint dictates that organisations operation in a social, economic and political domain, and legitimacy therefore revolves around how an organisation manages its social and political constituency (Guthrie & Parker, 1989). This view aligns with institutional theory as well as stakeholder theory. It has a normative basis, which in this instance has its roots in the socio-political and economic context in which the organisation operates. Arguably, the political economy perspective on organisational legitimacy is relatively broad. It does not limit factors either to specific institutional settings or particular stakeholder groups. Rather, it focuses on the entirety of the social, economic and political system in which the company operates (Deegan, 2002).

A final taxonomy of legitimacy-related theories is the distinction between institutional and strategic approaches. Suchman (1995) divided theoretical approaches to legitimacy into

these two different groups. The first category is concerned with organisational legitimacy being gained by conforming with institutional settings. The strategic perspective is concerned with the way in which organisations manage and even manipulate their environment to obtain legitimacy. The former approach evidently has a strong normative footing, while the later approach is more aligned with instrumental approaches. However, in practice it is questionable whether legitimacy can be viewed along such strict lines and contrasting views. We must therefore look at commonalities among theories.

Regardless of the theoretical approach, in each scenario where legitimacy is a feature, legitimacy itself is in a state of flux. Organisations have to deal with the demands of actors that can influence organisational legitimacy. In addition, each existing theoretical approach posits that all organisations will strive to maintain the stability of legitimacy. This implies that a company can actively influence the way it is perceived among the public. Legitimacy is therefore to a certain degree manageable by the organisation itself. Existing theories do seem to vary on certain points. The first point of differentiation is how demands and groups expressing those demands are approached by organisations. Second, what kinds of strategies do companies deploy in doing so. Third, why exactly are organisations (not) motivated to meet those demands. These are relevant questions in the context of approaches to supply chain labour abuses. Who makes the issues known, how is organisational legitimacy contested, and what is the companies' response?

It is arguable that there is no such thing as “legitimacy theory” in and of itself. Instead, it seems that legitimacy is an explanatory concept that is applicable across several different theories. For example, seeing legitimacy in the context of institutional theory explains why companies do not only conform to the law, but also conform to informal norms. It explains why organisations meet and comply with informal institutions. There is something at stake and that stake is legitimacy. Similarly, stakeholder theory argues – broadly – that organisations have stakeholders whose claims they need to consider. The same applies to the addition of legitimacy to stakeholder theory. It assists in explaining actor motivations and strategies therefore increases the explanatory power of this theory. In short, legitimacy should not strictly be regarded as a theory. Rather, it is a useful concept that has a strong interplay with other theories and expands their explanatory capacity.

## **2.4 Organisational Legitimacy and Stakeholder Theory**

Theoretical approaches are chosen on the basis that they are best suited to explain a research problem. Before discussing stakeholder theory, I will first discuss why other theories will not be used. I will start with resource dependency theory (Hillman et al., 2009). As this perspective

has a strong managerial and instrumental focus, it does not deal extensively with other social (f)actors, of which there are plenty in global supply chains. It also does not address normative questions. It regards legitimacy as a resource, which is a limited interpretation of this multi-faceted concept. Reputational and impression management theory similarly have a strong managerial focus. Arguably, these theories focus more on social (f)actors, if only to enhance corporate reputation. Yet they too belong to the group of strategic theories, and normative elements are used to explain the instrumental objective of enhancing the corporate image.

Institutional theory focuses on the fact that organisations need to behave according to institutional settings (Haack, 2012). Global supply chains are characterised by multiple institutional settings, as well as governance and enforcement gaps. Private regulation by companies has been used in attempts to fill these gaps, and can be explained with institutional theory. Yet the stakeholder demands and dynamics that play an important role in shaping such regulation are not a focal point. In addition, while institutional theory does deal with normative questions, it does not deal explicitly with the instrumental aspects of corporate approaches. Finally, a political economy perspective is useful in the context of global supply chains. It has the capacity to harmonise institutional and strategic approaches. It considers the entire social, political, and economic framework and the political and social constituents of companies within that framework. This means it offers a very broad approach.

Stakeholder theory is best suited to examine CSR in global supply chains. Its holistic character can overcome the shortcomings of other theories in this context. It harmonises institutional and strategic approaches, as Donaldson and Preston (1995) have argued that stakeholder theory embodies descriptive, normative, and instrumental views. It can consequently describe managerial and stakeholder motivations within institutional settings. It is also able of capturing the stakeholder demands that – as informal norms - often form the basis of institutional change in global supply chains (Griffith & Myers, 2005). In addition, while a political economy perspective is useful in its broad view of social, political, and economic factors, stakeholder theory also considers these elements. The upside is that stakeholder theory does o focusing on the dynamics between companies and their stakeholders within the specific context at hand. Finally, organisational legitimacy can be inserted into stakeholder theory as the abstract concept that represents the stake.

The previous sections have made clear that organisational stakeholders can judge the legitimacy of an organisation by evaluating its activities. The frame of reference in making this value judgement is marked by stakeholder interests and more broadly by the question whether the activities of the organisation are aligned with social norms. However, not all stakeholder groups will be equally powerful. They will therefore will not have the same impact in

bestowing or threatening legitimacy. Following this reasoning, a company will be more concerned with certain stakeholder demands compared to others. Indeed, in descriptions of who can influence legitimacy, literature uses broad terms such as “a status conferred by social actors” (Guthrie & Parker, 1989) or “conferring publics” (O’Donovan, 2002). Even in the context of organisational legitimacy, the use of the term stakeholders is a homogenous one which does not break down the constituency of an organisation in more detail.

Freeman describes stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (1984, p. 46). In their seminal work on stakeholder identification, Mitchell et al. (1997) describe the characteristics of stakeholders and how these properties are used by organisations to identify and classify stakeholders and their demands. In the context of legitimacy, these attributes can help to determine the influence of stakeholders. It can also help to ascertain how companies prioritise stakeholders and develop strategies to manage organisational legitimacy. The first and perhaps most important stakeholder attribute is power, which determines the degree of influence a stakeholder has. The second attribute is urgency, which relates to the importance of the demand and the timeliness of the corporate response. The third attribute is legitimacy, which concerns the judgment of the company regarding validity of the stakeholder group and their claim. This framework will be operationalised in chapter four to analyse corporate approaches to child labour in global supply chains.

## **2.5 The Social Contract and the Social License to Operate**

As we have seen in the preceding chapters, over the last decades academics have debated the social responsibilities of companies. The mainstream view is that companies do indeed have responsibilities beyond functioning well economically and operating within the boundaries of the law. This development has had major implications for organisational legitimacy. Companies are now not only judged based on shareholder returns and legal compliance, but also on their social and environmental impact. With the rise of global supply chains, the number of stakeholders and their demands have become nearly infinite. Andersen and Skjoett-Larsen (2009) illustrate this by arguing that firms are increasingly held responsible for practices of trading partners over which they have no ownership. The rise of global supply chains has meant that companies have become exposed to new and yet unknown social challenges. Companies must navigate a broad range of social norms, and that they need to demonstrate compliance with these norms, as not doing so can threaten organisational legitimacy.

However, the alignment of corporate and societal values and the active management of organisational legitimacy is a complex task. The difficulty of managing social issues in global

supply chains resides in the potential range of issues and stakeholders that a company needs to consider. It is challenging to identify stakeholders, to determine whether some stakeholders and issues might take precedence over others, and what the response to a particular issue should be. For example, how does a company go about approaching yet unknown stakeholders and issues in its supply chain? How do the concerns of stakeholders in host countries relate to the values held by the company and the prevailing norms in the home country? These factors are about the ways in which stakeholder interests and (in)formal norms relate to one another on local, national, and international levels. This makes it difficult to determine what action needs to be taken and how to manage organisational legitimacy effectively. In this context, CSR can be regarded as the suite of corporate activities that are aimed at gaining, maintaining, or repairing organisational legitimacy, informed by stakeholder interests and demands.

The idea that businesses must act in accordance with prevailing societal values relates to the notion of the *social contract*. This states that if an entity is found to be in breach of the contract with society, repercussions can be severe and this may even result in the failure of that entity. The concept of the social contract dates back to philosophers such as Thomas Hobbes and Jean-Jacques Rousseau and was initially related to governing entities. For Rousseau, the social contract intends to safeguard the freedoms of the people. While power may be exercised by sovereigns, this right is not divinely granted and can instead only be granted – and taken away – by the people (Rousseau & May, 2002). In turn, Hobbes argues that individuals consent to give up a degree of their liberty in order to benefit from the political order (Hampton, 1988). In short, social contract theorists argue that the exercise of power is condoned by the public in so far as it is beneficial for the many and in congruence with prevalent values. Rulers are condemned once the conditions of the social contract are violated.

In moving the analysis from a macro to a meso level, researchers have theorised about the relation between the social contract and organisational legitimacy. For example, Shocker and Sethi (Shocker & Sethi, 1973) argue that a social contract between an organisation and society exists. The community grants the organisation permission to operate – be it in accordance with social expectations about appropriate conduct. “An institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval” (p.97). Evidently, this statement is related to the social responsibilities of corporations. In addition to maximising profits, it is implied that a business also has a duty to act in a socially responsible manner. According to Guthrie and Parker (1989), legitimacy as a theoretical notion used in management studies relies on the idea that an organisation needs a social contract with society. In other words, corporate activities need to be regarded as desirable – or at least not in

contrast with social sentiments. This way the company will not be condoned by the community and be allowed to continue its endeavours.

If Weber's broad socio-political view of legitimacy can be linked to the general idea of the social contract, then the notion of organisational legitimacy can be linked to the *social license to operate*. Indeed, recent research has suggested that the social license to operate may well be "legitimacy by another name" (Gehman, Lefsrud, & Fast, 2017). The concept of the social license to operate emerged in the 2000s in the context the mining and resource industry. The industry was "distrusted by many of the people it deals with day to day" and has been "failing to convince some of its constituents and stakeholders that it has the 'social licence to operate'" (International Institute for Environment and Development, 2002, p. xiv). Other definitions include having "the approval, the broad acceptance of society to conduct its activities" (Joyce & Thomson, 2000, p. 52), the demands on businesses "that emerge from neighborhoods, environmental groups, community members, and other elements of the surrounding civil society" (Gunningham et al., 2004, p. 308), and as a sign of "social acceptance or approval... a socially constructed perception that your company or project has a legitimate place in the community" (Black, 2017, p. 18)

The social licence to operate has become embedded in corporate sustainability reports. It also has become commonplace in company and industry policies and standards, in CEO speeches, and in statements by peak industry bodies: "[...] the concept of a social licence to operate has been widely accepted by the industry as an essential attribute of success. It has prompted companies to look well beyond their self-interest." (International Council on Mining and Metals, 2012, p. 5). Apart from in the business world, the notion of the social license to operate has also been embraced by civil society. "The social license is fundamentally about accountability to people and not just powerful interests" according to Kumi Naidoo, former Executive Director of Greenpeace International and Secretary General of Amnesty International (Morrison, 2014). Despite its common acceptance among stakeholders, the social license "exists" on the basis of an unwritten agreement between business and society. Problematically, while an actual regulatory licence has precise conditions, the social license to operate is intangible. Its conditions that are not universally defined, in addition to being subject to continuous change.

Apart from its conditions not being universally defined, the idea of the social license suggests that it can be granted and revoked. These propositions are questionable. It has been pointed out that "it is easier to point to an absence of particular factors [...] necessary for a social licence rather than to know when all relevant factors are actively in place" and that the "absence of explicit forms of contestation can be interpreted as latent support in so far as

communities have not offered any explicit point of objection” (Owen & Kemp, 2013, p. 32). The burden of proof seems to lie with stakeholders to show what companies are doing wrong, not with companies to prove what they are doing right. In such circumstances a lack of community protest can be interpreted as consent. Companies that act against societal values can suffer repercussions that affect their reputation and financial position. Unless a company is declared bankrupt or is prohibited from conducting its business by authorities, it is a dubious proposition to say that social license can be “revoked”. It seems that, as with organisational legitimacy, the social license to operate is determined through market mechanisms that balance interests and create desired outcomes for companies and stakeholders.

While the social license is a useful abstract concept, the way in which it is said to operate remains contentious. It arguably represents the organisational equivalent of the social contract. Chapter three will suggest that despite a decade of labour and human rights abuses in its supply chain, Apple’s social license or that of its supplier Foxconn were never truly under threat. We will see that Apple and its suppliers were not penalised by a decrease in profits, but that profits instead skyrocketed. Yet, there are indications that the dynamics surrounding the social licence and organisational legitimacy are changing due to recent developments. Chapter four will demonstrate that the onus is no longer solely on stakeholders to show what companies are doing wrong. Rather, companies are increasingly required to prove what they are doing right. This suggests that companies are expected to more proactively manage their organisational legitimacy and social license to operate. The concluding chapter will discuss the concept of the social license in broad terms. It will question the degree to which it can be threatened, and whether it can be revoked by the community.

## **2.6 Legitimation: Maintaining, Gaining and Repairing Organisational Legitimacy**

As argued in the previous chapters, CSOs are important in holding companies to account for their social and environmental impact in global supply chains. This role is prompted by the need to fill governance and enforcement gaps (Crane, LeBaron, Allain, & Behbahani, 2017). CSOs do this in two ways. First, through *symbolic damage* campaigns. Second, through initiatives aimed at achieving *symbolic gains* (Den Hond & De Bakker, 2007). In the first instance, CSOs exert pressure on companies using the media (Castells, 2008). This is an effective tactic in bringing attention to issues, given that companies determine what issues are significant to society and the company through media reports (Islam & Deegan, 2010). The other way in which CSOs influence companies is via activities that aim to achieve symbolic gains. Instead of bringing negative attention to a particular issue and using this as leverage to



change corporate behaviour, stakeholders take a collaborative stance in approaching the issue by working together with companies to resolve issues (Kaine et al., 2017).

CSOs and the media are essential actors in exposing corporate misbehaviour and in holding companies accountable (Boersma, 2013a, 2015b). NGOs and trade unions in particular are organisations that are ideologically driven and actively aim to influence community perceptions on corporate behaviour. In terms of legitimacy, through their campaigns CSOs create a legitimacy gap. They argue that there is a discrepancy between organisational behaviour and prevalent social norms. The same can be achieved by the media through investigative journalism. This was the case with the initial the exposure of abuses in Apple's supply chain, which will be discussed in chapter three. In other instances, the media serves as an amplifier that reverberates concerns raised by CSOs. The media can help to expose the legitimacy gap that CSOs have created. Basically, the suggestion of a legitimacy gap threatens organisational legitimacy, which forces companies to respond to the issues that are raised.

If the long-term strategic goal is to maintain organisational legitimacy, then *legitimation* refers to the short-term tactics that companies use to maintain, gain, or repair legitimacy. Legitimation entails the process by which legitimacy is managed. Dowling & Pfeffer (1975) contend organisations have three options. They can conform by adapting to expectations. They can alter expectations among those that judge the organisations. And they can align the organisation with institutionalised symbols or vales that are considered legitimate. Lindblom (1993) argues along the same lines. A company can change its activities; change perceptions of its activities; distract from issues that are a concern; or alter expectations. A company can, of course, also choose not to respond. For example, a company may not recognise the individual or group that raises the issue as a stakeholder, it may deem the issue not to be in breach with its own values or the values of the institutional environment in which it operates, or the organisation may not be concerned about the threat to its legitimacy.

Other authors have made a distinction between symbolic and substantive legitimation (Ashforth and Gibbs 1990). The symbolic legitimation tactic signals increased compliance through positive disclosures. Effectively, this means that a company shapes its image to align with community expectations, while not necessarily substantially changing its behaviour. In doing so, the company aims to “appear consistent with social values and expectations” (Ashforth and Gibbs 1990, p. 180). Ashforth and Gibbs call this tactic “double-edged”, as companies outwardly meet community expectations, yet make no changes to their operations. A company may, for example, communicate that it has a supplier policy, yet does not undertake any action to ensure this policy is enforced. Conversely, a substantive legitimation tactic not only signals an increase in compliance, but compliance is also based on actual changes in

practices. Examples in the context of supply chains are the disclosure of auditing processes, implementing recognised auditing standards, or even changing suppliers.

In addition to Dowling and Pfeffer, Lindblom, and Ashforth and Gibbs, researchers have identified a range of ways to classify corporate approaches to managing legitimacy. For example, companies *conform*, in which case a company signals it has adjusted activities, symbolically or substantially, with the expectations of its stakeholders (Sethi, 1978). A company can *ignore*, which is a passive non-response to an issue; and relatedly a company can *avoid*, which is an active response to shun an issue (Oliver, 1991). Companies can also deploy a manipulative strategy (Suchman 1995). It can *distract*, in which case companies accentuate a different and more positive side of an issue, or point to a different issue (Lindblom, 1994). It can *deny* by detaching a company from an event by arguing it did not happen or the company was not involved (Elsbach, 1994); and *challenge*, in which case a company goes on the attack by undermining its critics or tries to change the values by which it is judged (Oliver, 1991).

There are two further corporate responses to legitimacy threats that require attention. The first is *compromise*, which implies an acknowledgement of the issue. Yet this also involves efforts by the company to seek concessions from its critics in implementing its response (O'Donovan 2002). A company can also *cooperate*, which in addition to acknowledgement of the issue involves the company engaging in a partnership to resolve the issue. In the context of supply chains, the latter approach often takes the shape of multistakeholder initiatives. These initiatives can take a substantive form and provide a way forward for groups to collaborate and solve issues. Yet they can also take on a symbolic form where companies engage so that they are seen to address an issue, thereby positively contributing to organisational legitimacy. Legitimation tactics will be discussed in the following chapters. Chapter three will look at the approach that Apple has taken to the labour abuses at its suppliers, whereas chapter four will look at approaches of companies to child labour in global supply chains.

## **2.7 Critically Analysing Organisational Legitimacy**

Recent research has called for a reassessment of legitimacy. It is argued that “[...] in our context of global uncertainties, it is important that we explore new ways of theorizing and measuring legitimacy [...]” (Pettigrew & Starkey, 2016, p. 649). This seems true considering the Weberian roots of legitimacy in political power and authority, and in the context of “Brexit” and the presidential election in the United States (Flood, 2016). The Oxford English Dictionary chose “post-truth” as Word of the Year in 2016. The legitimacy of the governing elite has arguably never been questioned more. While this may seem unrelated to organisational

legitimacy, these observations become relevant for management studies when considering large corporate scandals, such as the Volkswagen emissions manipulation.

In 2015, the Environmental Protection Agency in the United States found that Volkswagen's cars were fitted with software that could detect test conditions. This allowed cars to lower emissions during testing. Consequently, Volkswagen sold cars that emitted pollutants over forty times above allowed values (Topham et al., 2015). Regulators raised concerns about emissions in 2014. Volkswagen dismissed these as "technical issues" and "unexpected" real-world conditions. The rest is history. Volkswagen admitted to systematically cheating emissions tests, it recalled millions of cars, and paid large fines (Reuters, 2018). It is worth asking what legitimacy theory would have predicted if this scenario were hypothetical. What would have been the repercussions of this deceit? Would the company have been found in breach of the social contract? What would happen to its social license? In reality, in October 2017 Forbes Magazine posted: "Volkswagen Wows Investors with Latest Profit Report, And Strong Outlook". The company's earnings rose by 15 percent in the third quarter of 2017 to 4.13 billion euros, compared with 3.75 billion euros in the same period of 2016 (Winton, 2017).

Global supply chains form an interesting testcase for organisational legitimacy as a theoretical construct. This is due to the dominance of this global production regime and the degree of associated labour abuses. The literature shows that organisational legitimacy is judged in the context wider value systems. The most obvious one is the rule of law. We generally trust that the rule of law can be used to hold companies to account. However, global supply chains are characterised by governance and enforcement gaps which are filled by corporate self-regulation and voluntary initiatives by non-state actors. Another factor is that while many social issues occur at suppliers, CSOs frequently contest the legitimacy of lead companies. The reason is that suppliers often lack a public profile and are therefore less susceptible to legitimacy threats, as chapter three and four will show. This indicates that an active audience is needed to contest or affirm organisational legitimacy. With governments being largely passive in global supply chains, the audience is formed by stakeholders such as consumers and shareholders. What follows is that, in response to social issues that threaten organisational legitimacy, companies deploy CSR activities as a legitimisation tactic.

The above scenario broadly outlines the dynamics that are central to contesting, obtaining, maintaining, and repairing organisational legitimacy in global supply chains – be it in simplified form. It raises several questions around corporate social and environmental accountability, and the use of CSR as a corporate legitimisation tactic. Considering the evidence for continuing labour and human rights abuses in global supply chains, can CSR be regarded as a genuinely effective way to substantially address social and environmental issues? To what

extent do the institutional and stakeholder dynamics allow for companies to be held to account, and what kind of repercussions do companies experience? To obtain an answer to these questions, we need to critically analyse the core assumptions around CSR in global supply chains, and challenge the notions that underlie organisational legitimacy.

The literature shows that (organisational) legitimacy is shaped within a wider belief system. “The behaviour of a legitimate entity should be compatible with the shared beliefs of its conferring publics. The credibility of an organization depends on its legitimate activities in consonance with the moral rules of the society” (Gunningham et al., 2004). However, if the commonly accepted notion is that not doing so can threaten organisational legitimacy, how do we explain the Volkswagen scenario? While the company suffered losses through fines for breaching the law, it recently recorded higher than expected profits and a promising economic outlook. I argue that legitimacy as a theoretical construct currently does not adequately explain this scenario. Therefore, the time is right to question the dynamics surrounding (organisational) legitimacy, and question the use of CSR as a legitimation tactic in particular. The argument is not that legitimacy fails entirely as a theoretical construct. Yet we need to rethink the ways in which legitimacy can be questioned, how companies are held accountable, how decreased legitimacy translates to ramifications, and how companies manage threats to their legitimacy.

## **2.8 Expanding Organisational Legitimacy as a Theoretical Construct**

Organisational legitimacy can be used within a range of theoretical frameworks to explain and predict the actions of companies and stakeholders. It can therefore provide insights into the dynamics surrounding CSR in global supply chains. The review of the literature has shown that organisational legitimacy is broadly defined as the degree to which the actions of a company fit with societal values, specifically the values of stakeholder groups. This shows the social constructionist nature of organisational legitimacy: the appropriateness of corporate activities is judged using subjective frames of reference. The literature on organisational legitimacy suggests that when legitimacy is threatened, a company can deploy a range of legitimation tactics in order to manage its legitimacy vis-à-vis the actors judging the company. I have argued that CSR activities can be seen as a corporate legitimation tactic in addressing social and environmental pressures on the company.

The question that arises is how CSR as a legitimation tactic can be categorised. Following Dowling & Pfeffer (1975): does CSR help to conform the company by adapting to community expectations; does CSR alter expectations among those that judge the company, or does CSR align the organisation with institutionalised symbols or values that are considered legitimate? Furthermore, is CSR a means of substantially addressing community concerns, or

is it a form of window-dressing which to appear consistent with community expectations yet make no changes to company operations? As CSR is ambiguous and contested, there is no single answer to the questions. I suggest that our understanding of CSR as a corporate response to legitimacy threats can be enhanced by analysing the views of corporate stakeholders on the dominant CSR paradigm, discussed in chapter one. In order to theoretically contextualise these empirical insights, I will introduce notions from social dominance theory. Specifically, to critically assess the CSR paradigm and the dynamics surrounding organisational legitimacy, I will introduce the concept of legitimising myths.

Social dominance theory aims to increase understanding of conflict between different groups of social agents by framing societies as group-based hierarchy structures. In doing so it takes into account cultural, ideological, political, and structural aspects of societies (Sidanius & Pratto, 1999). The theory postulates that the social agents that benefit from the status quo will demonstrate hierarchy-enhancing behaviour. These actors will promote myths that strengthen their hegemony. Marginalised social agents will express hierarchy-attenuating behaviour and use myths that aim to undermine the existing hierarchy. Following social dominance theory, the relative stability of social hierarchies is partly the result of the counterbalancing effects of these legitimising myths. Legitimising myths are described as the “attitudes, values, beliefs, stereotypes, and ideologies that provide moral and intellectual justification for the social practices that distribute social value within the social system” (Sidanius & Pratto, 1999, p. 45).

Examples of legitimising myths are paternalistic myths, which contend that hegemony is beneficial as particular groups are unable to look after themselves. This justifies the need for the welfare state. Reciprocal myths are another example. These myths claim that dominant and marginalised groups are in fact equal. Meritocracy is a legitimising myth, as it suggests equal opportunities while in reality enhancing inequality. Yet another example are sacred myths, in which the right to govern is granted by religious factors. This justifies theocracy (Pratto, Sidanius, Stallworth, & Malle, 1994). Further legitimising myths which are particularly relevant for this research are *hierarchy-enhancing myths* and *hierarchy attenuating myths*. The first kind maintains the status quo, while the second kind seeks to undermine it. The patriarchy is an example of a hierarchy-enhancing legitimising myth, which justifies inequality based on gender. Feminism is an example of a hierarchy-attenuating legitimising myth, which aims to undermine the patriarchy and strive towards gender equality. I argue that neoliberalism is a legitimising myth, which justifies economic globalisation driven by laissez-faire capitalism.

Social dominance theory posits that the oppression and marginalisation of social agents is based on ideologies and associated myths. These myths have become embedded in

institutions such as companies and schools, which disproportionately distribute sought-after goods such as wealth and knowledge to dominant groups. At the same time they direct undesirable elements such as hazardous work and unemployment toward members of less powerful groups. According to social dominance theory, social inequality becomes systematic because of this embeddedness in institutions. As people tend to support institutions that align with their beliefs, they support the manner in which these institutions allocate resources (Mitchell & Sidanius, 1995; Pratto et al., 2000; Pratto, Stallworth, & Conway-Lanz, 1998; Pratto, Stallworth, & Sidanius, 2011). I contend that the widely accepted voluntary and self-regulatory approach of companies to labour abuses is used to justify benefitting from cheap labour and associated labour standards. In other words, CSR allows companies to continue to profit from poor working conditions in global supply chains.

According to social dominance theory, the beliefs that legitimise and enhance the existing hierarchy gain strength as the social status of benefitting social agents increases (Sidanius & Pratto, 1999). The International Trade Union Confederation estimates that 60% of global trade in the real economy depends on the supply chains of 50 corporations (International Trade Union Confederation, 2016). Considering the size and influence of these companies, it is not difficult to see why CSR persists, despite ongoing social and environmental scandals in supply chains. Many institutions such as companies seek to allocate resources in a way that enhances group dominance. Yet social dominance theory also identifies institutions that attenuate group-based hierarchy (Sidanius & Pratto, 1999). CSOs are a good example, as they commonly challenge the status quo and strive for social justice. Legitimising myths can reveal how social agents in global supply chains are attempting to uphold or change the taken for granted notions around CSR. It assists in uncovering the dynamics around how companies say that CSR works, versus how CSOs say it works (or does not work).

As we have seen in the introduction of the chapter, the main aim of a critical approach to social theory is to question conventional notions. This especially applies to those notions which seem “natural” or go largely uncontested. In exposing factors that enable social domination I aim to generate emancipatory knowledge. Introducing the notion of legitimising myths to legitimacy theory fits well in taking a critical approach to organisational legitimacy. The starting point in the critical analysis of CSR and organisational legitimacy is consequently to see these concepts and the discourse that surrounds them as something that can be contested. Until now, social dominance theory and legitimising myths have not been applied in the context of management studies. A well-known book by Lynn Stout titled “The Shareholder Value Myth” does posit that shareholder primacy has no basis in law or economics. However Stout does not use social dominance theory or legitimising myths. Yet, the myth of shareholder value

is a typical example of a hierarchy-enhancing legitimising myth. It contributes to the hegemony of companies and shareholders while delegitimising broader stakeholder concerns.

The addition of legitimacy as a concept to stakeholder theory adds a focal point and motivating factor for social actors. It enhances the explanatory capacity of this management theory. Similarly, using legitimising myths in this context can help to describe the taken for granted notions that surround the gaining, maintaining and threatening of organisational legitimacy. Applying notions from social dominance theory to CSR and organisational legitimacy in global supply chains implies that companies, as an influential and dominant group of social agents, want to maintain how the social responsibilities of business are currently defined in the CSR paradigm. Simply put, companies want to maintain corporate voluntarism and self-regulation in addressing social and environmental issues. Companies will therefore express hierarchy-enhancing myths to maintain the status quo. Negatively affected stakeholders and social agents such as CSO that lend them a voice will express hierarchy-attenuating myths to contest the CSR paradigm.

Hierarchy-enhancing and hierarchy-attenuating legitimising myths will be discussed in more detail in chapter six of this thesis. The concluding chapter presents an extended analysis of the findings presented in chapter three, four and five. It will be argued that several legitimising myths exist that maintain the dominant voluntary and self-regulatory corporate approach to supply chain labour exploitation. The overarching legitimising myth is the assumption that markets can successfully balance social, environmental, and financial interests. One of the main concepts that upholds this myth is the social licence to operate. Also called “legitimacy by another name”, the social license to operate suggests that companies will suffer dire consequences at the hands of stakeholders if their actions are not aligned with societal values. However, in the extended analysis I will argue that despite countless examples of grievous corporate misconduct, companies rarely suffer said penalties. Finally, I will show that several hierarchy-enhancing and hierarchy-attenuating myths exist in multistakeholder initiatives. These myth reveal the contestation of the voluntary and self-regulatory CSR paradigm, they have the capacity to undermine the legitimacy of the initiatives themselves.

### **Chapter 3: The Failures of Corporate Social Responsibility**

We will now move from discussing legitimacy in a theoretical context and proceed to examine empirical evidence related to organisational legitimacy. This chapter will focus on the actions of consumer electronics giant Apple in managing its component supply chain in Asia. Apple is one of the most successful companies measured by wealth and brand recognition. Yet since the middle of the 2000s it has been implicated in numerous social and environmental incidents occurring at its suppliers in Asia. Apple has attempted to remediate these issues. Yet there is overwhelming empirical evidence that shows the company has failed to find a structural solution to these issues. CSOs and the media continue to uncover labour and human rights abuses in Apple's supply chain (White & Zhang, 2017).

The journal article that forms the core of chapter three provides an empirical analysis of Apple's supply chain. Using Apple as an example, it informs the theoretical debate on global supply chains. It discusses the institutional failure that leaves employees vulnerable and the environment neglected. The fact that companies can now be held responsible for the actions of their suppliers means that CSR in global supply chains can be considered as a new challenge for companies in managing their legitimacy. Traditional business operations have always been exposed to social and environmental risks that can harm legitimacy. Yet the rise of global supply chains has multiplied the number of issues and stakeholders that can implicate businesses. For example, while labour abuses may not be an issue in direct operations, by outsourcing labour or by sourcing from other regions companies may well be linked to these abuses.

The analysis of the dynamics in Apple's supply chain will be revisited in chapter six. The concluding chapter will further examine the ways in which Apple's organisational legitimacy was threatened. It will also analyse the specific legitimisation tactics that the company deployed to manage its legitimacy. It will be shown that, apart from sporadic interaction with industry peers, Apple goes about managing its legitimacy alone. It does not directly respond to concerns expressed by the media or CSOs, and the company does not engage in multistakeholder initiatives. As a response to legitimacy threats, Apple deployed a conventional code of conduct and social auditing-based approach. Apple's approach was arguably unprecedented in scale but nevertheless constitutes a conventional CSR approach to supply chain labour abuses. Chapter six will also discuss how legitimising myths facilitate a continuation of this failing approach.



**Article: “The Governance of Global Value Chains: Unresolved Human Rights, Environmental and Ethical Dilemmas in the Apple Supply Chain”**

The continued advance of global value chains as the mode of production for an increasing number of goods and services has impacted considerably on the economies and societies of both the developed world and the emerging economies. While the globalisation of production has brought employment and economic growth to many developing economies, particularly in Asia, it is also associated with exploitative labour, environmental irresponsibility, and recurrent ethical dilemmas. The transfer of large amounts of manufacturing and services work from advanced industrial countries to emerging economies has often meant declining wages and conditions, and increasing employment insecurity (Donaghey et al., 2014; Ferner, Edwards, & Tempel, 2012). This analysis examines how the development of global value chains initiated by MNCs has intensified and extended exploitation globally.

Although there have been campaigns to improve workers' rights and employment conditions in the plants operating within global value chains, and MNCs have been reminded of their responsibilities and often developed or signed up to corporate and environmental responsibility principles, widespread abuses and significant institutional failure remain (Bartley, 2007; Bondy, Matten, & Moon, 2008; Levy, 2008; Locke, 2013b; Mayer & Gereffi, 2010). This institutional failure is reflected in the lack of collective bargaining rights, the absence or weaknesses of international employment framework principles, the lack of traction of social movements except in extreme situations, and the failure of states to remedy known problems, with governments committed to investment and economic growth at all costs (Fransen & Burgoon, 2012; Fransen & Kolk, 2007; Fransen, 2011).

This paper examines the unresolved dilemmas that Apple Inc. faces in Asia, as an acute example of the larger issue of business ethics and integrity in the operations of global value chains. This analysis is placed in the context of the theorisation of the global value chain (Gereffi et al., 2005; Buckley & Strange, 2015; Mudambi, 2007; Brammer, Hojmosse, & Millington, 2011). The paper explores several questions. First, what are the values that Apple is committed to? Does Apple have a clear commitment to social responsibility, and how has this developed over time? Second, what institutional and stakeholder pressures does Apple experience, specifically concerning the social responsibilities of the firm, and how do these pressures shape the values of Apple? The third question revolves around legitimacy: how do institutional and stakeholder pressures as well as Apple's responses to them shape the legitimacy of the company? Answers to these questions will inform an analysis of whether the responses of Apple to human rights, environmental and ethical concerns in its supply chain are adequate and effective, and will suggest ways in which responses can be improved.

Broader issues that the paper will examine include the growing literature concerning sustainable supply chain management. The research will look at how sustainable supply chain management is defined and what theoretical advances have been made. In addition, the disaggregation of global value chains will be studied: what are the consequences of increased international interdependence between the several actors involved in global production, and what does this mean for Apple as the richest and one of the most powerful companies in the world? Finally, the numerous incidents that have occurred in the factories of Apple's component suppliers since 2006 will be investigated: how did these incidents come to light, how did Apple respond, and why were so many issues left unresolved?

### **3.1 Apple: A Leader Among Companies or Rotten at its Core?**

Apple is the richest and most iconic corporation in the world. As the world's most valuable brand at US\$247 billion in early 2015, Apple was the first US corporation in history to reach a market capitalisation of US\$700 billion, almost twice the market capitalisation of Google and Microsoft combined (Neate, 2015). In the final quarter of 2014, with the launch of the iPhone 6, Apple made profits of US\$18 billion, the largest quarterly return of any US corporation ever. By 2015 Apple had accumulated liquid assets of US\$195.5 billion, much of it in the Nevada-based asset management corporation Braeburn capital, established by Apple executives, and Apple is well on the way to becoming one of the world's best capitalised asset managers (McDuling & McDuling, 2015). All this wealth has rapidly accumulated following Steve Jobs' return to Apple in 1997. Projecting the revived Apple brand and products as not only the most advanced electronic devices, but also the most elegant in design: Apple products are portrayed as more than electronic goods – they are life-style transforming and enhancing objects.

This imagery reached celestial heights in Apple's 1997 advertising campaign, which adapted IBM's slogan “Think” to “Think Different”. In its marketing efforts, Apple did not blush at using images of Albert Einstein, Gandhi, the Dalai Lama, Miles Davis, Allen Ginsberg, Che Guevara, John Lennon and Yoko Ono, Nelson Mandela, Martin Luther King Jr., and Barack Obama (none of whom have any known association with, or affection for, electronic consumer goods, except for President Obama – who apparently preferred a Blackberry). Each new Apple product is accompanied by rising crescendos of excitement at their announcement and long queues outside every Apple store when launched, indicating that brand loyalty has become a faith that embraces millions.

Yet while Apple was enjoying a meteoric rise as the world's most iconic business, increasing evidence was emerging of the tragic consequences of unresolved human rights, environmental and ethical dilemmas in the Apple supply chain in China. In a stark illustration

of how extreme inequality continues to disfigure the operation of global value chains, it appears that the beauty of Apple's brilliant design and highly polished products ultimately rests upon the suffering of young workers in electronic sweatshops where human rights, labour standards, environmental safety, and business integrity are routinely ignored. It is the case that since these abuses in its supply chain were first brought to Apple's attention in 2006, the company has made efforts to eradicate problems and enforce higher standards at its suppliers.

However, there is much evidence to suggest that the successive interventions of Apple to advance audit and management systems and improve standards in suppliers' factories are too often overwhelmed by the intensity of the production regimes being enforced. There is evidence of bleak working conditions throughout much of the electronics supply chain in Asia, including at factories manufacturing products for Dell, Hewlett–Packard, IBM, Lenovo, Motorola, Nokia, Sony, Toshiba and others (Barboza, 2010; Barboza & Duhigg, 2012; Duhigg & Barboza, 2012). However, as the market leader and the richest and most successful consumer electronics company in the world, Apple has a particular responsibility to ensure the integrity and responsibility of its value chain.

### **3.2 Theoretical Perspectives on Global Value Chains**

Supply chain management refers to the control of operations beyond core business activities (Carter & Easton, 2011; Carter & Rogers, 2008; Svensson, 2007; Van Tulder, Van Wijk, & Kolk, 2009). Alternatively, the term value chain is used, which "...describes the full range of activities which are required to bring a product or service from conception, through the intermediary phase of production, delivery to final consumers, and final disposal after use" (Kaplinsky & Morris, 2002, p. 4). Sustainable management of supply chains concerns "...the strategic, transparent integration and achievement of an organization's social, environmental, and economic goals in the systemic coordination of key inter-organisational business processes for improving the long-term economic performance of the individual company and its supply chains" (Carter & Rogers, 2008, p. 364). It is also defined as "...the management of material and information flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development, i.e. economic, environmental and social, and stakeholder requirements into account" (Seuring, Sarkis, Müller, & Rao, 2008, p. 1545). Lindgreen and co-authors contend that sustainable supply chain management "...remains an uncertain concept with few absolutes" (2013, p. xv).

The social and environmental issues that companies should address can easily be interpreted as including virtually everything. Indeed, existing literature describes initiatives dealing with diversity, human rights, safety, philanthropy, community and environment

(Campbell, 2006; Carter & Easton, 2011; Kleindorfer, Singhal, & Wassenhove, 2005; Mueller, dos Santos, & Seuring, 2009; Sarkis, Zhu, & Lai, 2011; Srivastava, 2007). While Marxian analyses have traditionally regarded the international manoeuvres of MNCs as part of the globalisation and intensification of exploitation, in recent years its focus has shifted towards more specific issues "...related to labour and workplace issues, such as low wages, sweatshops, labour practices, and working conditions" (Brammer et al. 2011, p. 17).

Companies such as Apple, Google, Nike, GAP, Adidas and Hewlett Packard have had to deal with governance gaps in global operations (Brenkert, 2009; Frost & Burnett, 2007; Locke, Amengual, & Mangla, 2009; Mayer & Gereffi, 2010). As a result, private regulation - among which in the form of codes of conduct - has emerged to fill this gap (Bartley, 2007; Locke, Kochan, Romis, & Qin, 2007; Locke & Romis, 2007). Research into this subject is "...in basic agreement that the efforts to implement corporate codes of conduct are often ineffective" (Chan & Siu, 2010, p. 167). First of all, a supplier code of conduct does not equal commitment (Bondy et al., 2008), while in addition there has been "...little progress in improving labour standards through such [private] regulation" (Wells, 2007, p. 53), and the codes are "...not producing the large and sustained improvements in workplace conditions that many had hoped" (Locke, Qin, & Brause, 2007, p. 21). Although codes of conduct can hypothetically lead to better sustainability performance along the supply chain, monitoring remains important as cost or time pressures can lead to suppliers rigging numbers to obscure performance (Jackson & Apostolakou, 2010).

Brammer and co-authors note that "...supply chain research is in its infancy, relative to other fields in business and management research, and thus is characterised by a relative absence of (1) theoretically informed research and (2) a large amount of descriptive empirical research" (Brammer et al., 2011, p. 9). Connelly and co-authors (2013) offer a basis for further theoretical supply chain research by discussing the application of six prominent organisational theories (real options theory, internationalisation theory, organisational economics, resource dependence theory, social network theory and institutional theory), which "...range in emphasis from primarily endogenous to primarily exogenous influences" (p. 227). This paper will continue to build on insights provided by institutional theory and will furthermore be informed by stakeholder theory and legitimacy theory. These theories are apt for the following reasons: First, institutional theory can explain how formal and informal institutions influence decision-making in value chains; second, stakeholder theory considers the influence of stakeholder groups and describes responsibilities of firms towards them, and third, legitimacy theory describes corporate reactions to both institutional and stakeholder pressures.

Institutional theory contends that company decisions are based on the influence of norms embodied by formal and informal institutions. Formal institutions include governments

and regulatory bodies, firms, and nongovernmental organisations (NGOs), while informal institutions include social norms and values. Both institutions manifest everywhere along the supply chain and apply normative pressures onto firms. There are several ways in which formal institutions can influence firms in making supply chain decisions. For example, public policy can result in companies having additional responsibilities towards workers or the environment. This could result in companies complying with regulation or by moving production elsewhere. Conversely, firms can be enticed to make supply chain decisions based on flexible labour or environmental laws. Informal institutions also influence supply chain decisions, for example through cultural norms concerning social standards and the environment. Research shows that understanding and managing pressures exerted by informal institutions are crucial in making appropriate sourcing decisions (Lai, Wong, & Cheng, 2006).

One of the prominent conceptions of institutional theory is the idea that organisations working in the same area are likely to adopt comparable organisational forms and practices, as the organisations are exposed to similar social pressures and stakeholder expectations. (DiMaggio & Powell, 1983). From a value chain perspective, companies can copy approaches of other companies in their sector or geographical regions. Yet, mimicry provides no lasting solution, as formal and informal institutional pressures will never be entirely similar in global supply chains, which span different industries and countries. Apple as the market leader is ideally equipped to lead by example, instead of simply emulating the examples of industrial peers. Institutional theory can help to explain supply chain management in a global context and is foreshadowed to become more prominent in related research (Ni, Li, & Tang, 2010).

MNCs increasingly focus on CSR in supply chains following pressure from their stakeholders (Andersen & Skjoett-Larsen, 2009). In a broad sense, stakeholders are defined as “any identifiable group or individual who can affect the achievement of an organisation's objectives, or who is affected by the achievement of an organisation's objectives” (Freeman & Reed, 1983, p. 91). Central to the stakeholder view is the assumption that companies have responsibilities towards a wide range of actors. Stakeholder theory is concerned with how firms manage interactions with various groups in descriptive, instrumental and normative terms (Donaldson & Preston, 1995). As circumstances in supply chains become increasingly complex, stakeholder identification, engagement, demands and the potential for desirable outcomes become increasingly important and challenging (Stone & Brush, 1996). This is due to stakeholders becoming more heterogeneous (Harrison & Freeman, 1999) and associated rights, claims or interests being conflicting or difficult to prioritise (R. Mitchell et al., 1997). The relative infancy of sustainable supply chain management adds to the difficulty of accomplishing these tasks (Parmigiani, Klassen, & Russo, 2011).

Both institutional and stakeholder theory have a normative basis. However, every actor will have a distinctive outlook on the “correct” way of doing things, which may result in tensions and conflicts in the value chain. These tensions are “characterized by contestation as well as collaboration among multiple actors, including firms, state and international agencies, NGOs, and industry associations, each with their own interests and agendas” (Levy, 2008, p. 943). Companies facing pressures need to establish or reaffirm organisational legitimacy by conforming with their institutional environment (DiMaggio & Powell, 1983). Given the pressures of stakeholder groups, organisational legitimacy can also be attained through appropriate stakeholder management and engagement. In short, both institutional and stakeholder theory may explain the endowment of organisational legitimacy.

The process by which values are determined and organisational legitimacy is achieved is dynamic, given the heterogeneous character of institutions and stakeholder groups, the pressures they exert, and ways in which particular agendas are prioritised. In some cases, a firm can have a specific motto or have the explicit aim to contribute towards the “common good” and well-being society (Argandoña, 1998). One example is Google's corporate slogan “Don't be evil”, and the slogan “Do the Right Thing” adopted by its parent company Alphabet (Google Inc., 2017). However, mottos are meaningless unless they are accompanied by action (Brenkert, 2009). In other cases, articulation of a firm's responsibilities vis-a-vis society is less specific. Regardless, the normative basis on which a company acts is under continuous pressure from institutions and stakeholders. Legitimacy theory emphasises processes by which organisational legitimacy is obtained or challenged. It offers a conceptual tool to analyse institutional and stakeholder pressures, corporate responses, and the consequences for organisational legitimacy (Idowu et al., 2013).

Suchman (1995) defines legitimacy as “...a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). In other words, legitimacy seemingly offers companies the right to operate, be it in line with institutional and stakeholder interests. Consequently, companies seek to enhance organisational legitimacy by improving their image and by cultivating a reputation as a responsible corporate citizen (Brown, Dacin, Pratt, & Whetten, 2006). Good social and environmental standing correlates with better long-term firm performance, suggesting that it is beneficial for companies to focus on reputation as a part of overall objectives (Fombrun, 2005). As global supply chains are characterised by dynamic settings, changing legitimising factors are a critical area of analysis. Studies may focus on decision-making processes based on demands from institutions and stakeholders, and what company responses are best suited (Connelly et al., 2013).

CSR reports and policies are a useful source of information to understand firm social and environmental intentions and activities. Firms benefit from non-economic disclosures by improving corporate reputation among stakeholders and other concerned parties (Wilmshurst & Frost, 2000). Firms are shown to have many different motivations for disclosing information about corporate social and environmental responsibility. Institutional and stakeholder pressures are major driving forces behind social, environmental responsibility in supply chains (Sarkis, 2001; Tate, Ellram, & Kirchoff, 2010; Zhu & Sarkis, 2004). Yet, it is also implied that many firms operate on a series of halftruths that result in a sole focus on profits, instead of focusing on their broader responsibilities to other stakeholders including employees and communities (Mintzberg, Simons, & Basu, 2002). Indeed, concerns exist about the ways in which CSR disclosures compare with actual activities, as research has found discrepancies between actual practices of firms and their CSR publications (Banarra, 2010; Boersma, 2015a).

### **3.3 The Disaggregation of the Global Value Chain**

The interplay between global economic forces and local circumstances poses a number of challenges for labour standards and economic security, and for business accountability, transparency and integrity (Roh, Hong, & Min, 2014). MNCs benefit from outsourcing large parts of their operations to low-wage countries: it keeps production costs low and allows greater profit margins (Figure 1). Industries that have profited most from outsourcing production to low-wage countries have produced goods such as clothing, sports apparel, or toys.

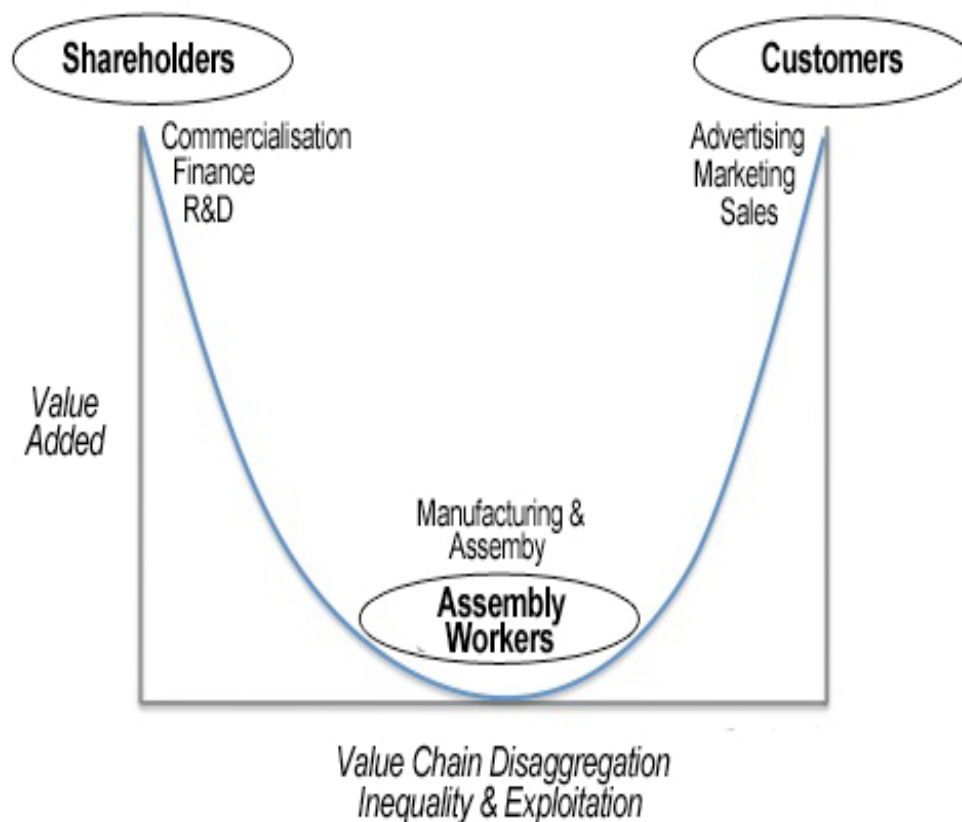
Since the early 2000s, the electronics- manufacturing sector started to appear on the radar of labour rights activists, NGOs and investigative journalists (CAFOD, 2004). They found that Original Equipment Manufacturers (OEMs) were outsourcing production of components to firms in low-wage countries that provided Electronic Manufacturing Services (EMS) at a low cost (CAFOD 2004). The conditions in which workers produced these goods gave rise to the term “electronics sweatshop” (China Labor Watch, 2011). Apple sources most components from manufacturers in Asia (Litzinger, 2013). Apple has 785 suppliers in 31 countries worldwide contributing to the production of the iPhone; however, 349 of the suppliers are in China (Table 1). Indeed, according Li Qiang, an activist of US-based organisation China Labour Watch: “Without China, Apple wouldn't be the company it is today. No other country can provide labour so cheaply, and make its products so quickly” (Bilton et al., 2014).

If one could disregard the socio-economic inequality that lies at the heart of the imbalanced relationships in global value chains, picture in figure 1, an argument could perhaps be made for the potential emancipatory effects that the globalising economy and workforce could have on developing and newly industrialised countries. However, Apple not only

externalises production, it externalises the responsibility for the production process and the entire workforce: these burdens are to be carried by the EMS providers. In its Supplier Code of Conduct, Apple states “...suppliers are required to provide safe working conditions, treat workers with dignity and respect, act fairly and ethically, and use environmentally responsible practices wherever they make products or perform services for Apple .... Apple will assess its suppliers' compliance with this Code, and any violations of this Code may jeopardize the supplier's business relationship with Apple, up to and including termination” (Apple, 2014). This statement is illustrative of the normative basis on which Apple operates.

The ways in which global value chains function become a structuring factor that can contribute to violations of working conditions. As Apple has high demands concerning the quality of electronics components, but wants them at the best possible price, cutting corners in the production process is often the only way that suppliers can be competitive, often resulting in lower compensation for workers and unsafe working conditions and production facilities. Workers meanwhile receive little protection from the government in China, while independent trade unions and strikes are forbidden. These circumstances result in a race to the bottom, which may threaten even the most basic labour standards.

Figure 1: Disaggregation of the global value chain



Source: Adapted from Mudambi (2007)



Table 1: Location and number of top ten Apple suppliers internationally

China	349
Japan	139
USA	60
Taiwan	42
South Korea	32
Malaysia	21
Philippines	24
Singapore	17
Germany	13
Vietnam	11

*Source: comparecamp.com - How & Where iPhone Is Made: Comparison of Apple's manufacturing process (2015)*

Although factory audits at Apple's EMS providers have uncovered violations of China's labour laws, operations are generally found to be in line with the formal regulations stipulated by Chinese authorities. In the instances that they were not, Apple and the EMS companies have pledged to make changes in order to comply. The Chinese government has the right to change labour laws to offer better protection to workers, and the authority to force OEMs and EMS providers to comply with stricter regulation. Yet with the global economy struggling to sustain recovery following the global financial crisis, the Chinese government will likely be apprehensive about enforcing stricter labour and wage regulation, as this could further weaken the Chinese economy which has already begun to slow down, with fears of the loss of further contracts to even lower wage neighbouring economies in Asia (Inman, 2012).

Stakeholders such as workers and consumers have thus far played a modest role in global value chain dynamics. However the Chinese labour force is becoming less docile (J. Chan, 2013; J. Chan et al., 2013), evident in the uprisings at the factories of many multinationals in China in recent years (China Labor Watch, 2012b; Richburg, 2010). Meanwhile, it could be argued that consumers of Apple products might exert greater pressure on Apple's CSR activities. However, as global supply chains are complex, consumers have arguably become geographically and morally dissociated from the circumstances in which goods are being produced. As a result, Apple consumers may be unaware of the circumstances in which products are being manufactured. Yet through mediation of investigative journalism and CSOs, the public has had ample opportunity to become aware of these circumstances.

For Apple's main demographic, cosmopolitan city dwellers and young people who are style-conscious and well-educated, it may be imagined that human rights and labour practices would be significant matters. However, there is little indication at this stage of any consumer boycott, concern or even awareness of what is happening in Apple's supply chain. Furthermore,

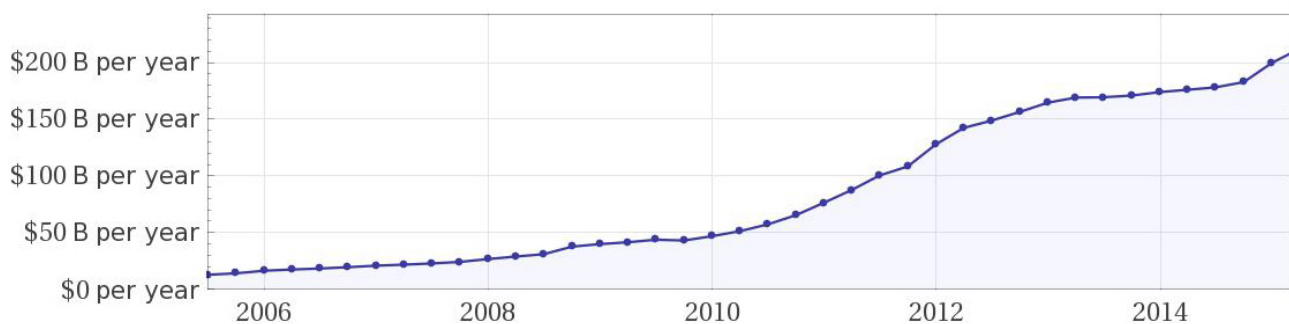
companies have learned how to respond to criticism of business practices, and even preemptively counter future criticisms by incorporating environmental, social and governance themes into their marketing strategy. For example, by pledging to give a percentage of a product's cost to causes in the developing world, Starbucks helps to ensure that the consumer's conscience is absolved through their purchase (Fiennes, 2012).

Consumer and worker power often need to be mediated by third parties such as NGOs, organised labour, and interest groups to have any impact. Examples are Greenpeace harnessing consumer power by launching a campaign in 2006, challenging Apple to be clearer about its environmental policies. Using the positive slogan “We love our Macs, we just wish they came in green”, the campaign succeeded in mobilising consumers to convince Apple to phase out of the worst chemicals in its product range: Brominated Fire Retardants and Polyvinyl Chloride (Greenpeace, 2007). In 2012, after Greenpeace had been pressuring Apple for more than a year to commit to renewable energy, the company announced that by early 2013, the energy used to power its data centres would come solely from renewable sources (McMillan, 2012). Other examples are groups such as Students and Scholars Against Corporate Misbehaviour (SACOM) and China Labor Watch, which continue to provide exploited workers with a voice. (China Labor Watch, 2012a, 2012c, 2015; SACOM, 2010, 2011, 2012b, 2013)

### 3.4 Apple: A Monopsony with Tremendous Power and Responsibility

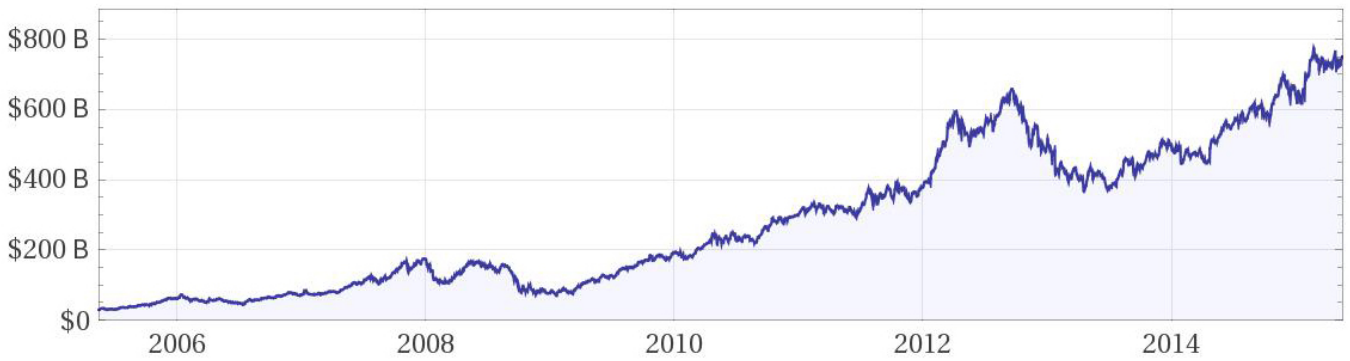
In 2010, Apple became the most valuable brand in the world, with an 84% jump in brand value to US\$153.3 billion (Indvik, 2011). By March 2015 Apple's revenue rose to \$212.2 billion (Figure 2), while in February 2015 Apple attained a market capitalisation of \$770 billion (Figure 3), nearly double that of ExxonMobil, Google and Microsoft (Platt & Badkar, 2015). Apple's profit margins (Figure 4) have contributed to liquid assets of \$193.5 billion (Figure 5), which means that the company has more cash on hand compared to the cash balances of most industries in the United States combined (Fingas, 2015).

Figure 2: Apple Revenue. June 2005 to March 2015 (US\$ billions)



Source: Adapted from WolframAlpha Knowledgebase 2015

Figure 3: Apple market capitalisation. May 2005 to May 2015 (US\$ billions)



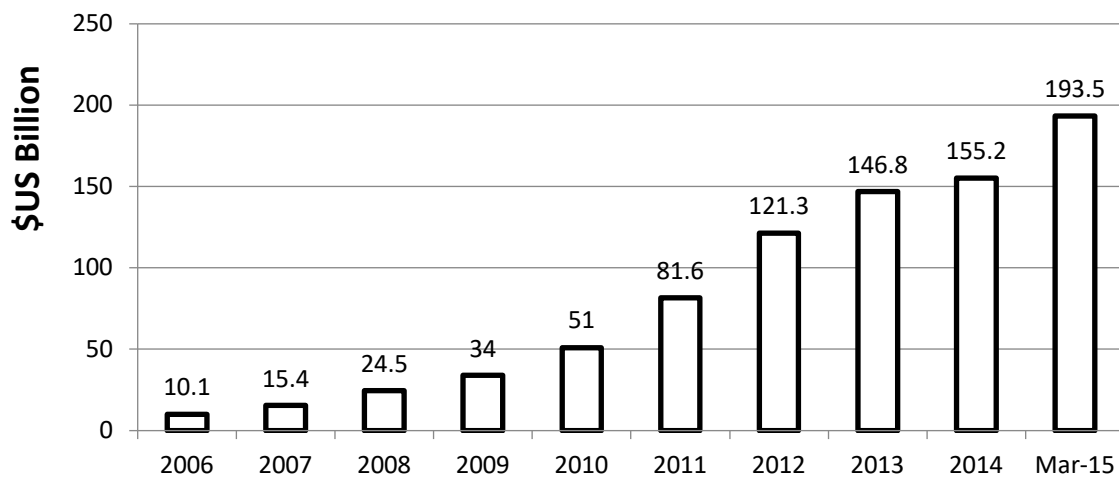
Source: Adapted from WolframAlpha Knowledgebase 2015

Figure 4: Apple profit margins. June 2005 to March 2015



Source: Adapted from WolframAlpha Knowledgebase 2015

Figure 5: Apple cash, equivalents and securities. 2006 to March 2015 (US\$ billions)



Source: Apple annual and quarterly reports

Apple's sustained competitive advantage over its competitors is not simply due to superior design and marketing, it is due its domination of the consumer electronics supply chain. Apple has effectively created a closed ecosystem, controlling every part of the supply chain from design to retail. "Because of its volume - and its occasional ruthlessness - Apple gets big discounts on parts, manufacturing capacity, and air freight. Operations expertise is as big an asset for Apple as product innovation or marketing," says Mike Fawkes, the former supply chain chief at Hewlett-Packard, "They have taken operational excellence to a level never seen before" (Satariano & Burrows, 2011). Leading this supply chain revolution was Tim Cook, now Apple CEO, inspired by the book *Competing Against Time: How Time-Based Competition is Reshaping Global Markets* (Satariano & Burrows, 2011): "[...] the traditional pattern has been to provide the most value for the least cost. The expanded pattern is to provide the most value for the least cost in the least elapsed amount of time. These new-generation competitors use flexible factories and operations to respond to their customers' needs rapidly by expanding variety and by increasing the rate of innovation" (Stalk & Hout, 1990, p. 59).

Rising revenues and high profits with each new product launch allowed Apple to accumulate a vast mountain of cash. Apple has employed its hoard of cash to further dominate and control the electronics component supply chain. New component technologies are expensive to make when first invented and building factories to make these is more expensive still. As such it is hard for EMS companies to raise investment capital to cover their costs, yet Apple pays towards the cost of construction in exchange for exclusive rights to output for a period, with a discounted rate afterwards (Elmer-DeWitt, 2011). This allows Apple access to new components before competitors. When competitors eventually secure access, Apple continues to have access to the same parts at lower cost due to the discounted rates it has negotiated, which may be subsidised by other electronics companies buying the parts from the same provider. In this way Apple "has become not a monopoly (a single seller), but a monopsony - the one buyer who can control the market" (Elmer-DeWitt, 2011).

In 2011, Apple announced it was intending to invest \$7.1 billion on its supply chain in the next year, together with \$2.4 billion in pre-payments to key suppliers (Whitney, 2011). This wave of Apple cash ensures availability and low prices for Apple, while limiting the options to competitors. For example, in order to make the iPad 2, Apple ordered so many high-end drills to make the internal casing that other electronics companies waiting time for drills stretched for months (Satariano & Burrows, 2011). Meanwhile Apple drives down supplier quotes, including recent estimates for materials (Worstall, 2014), as well as labour costs: in 2012, the programme ABC Nightline found that assembly workers at Foxconn, Apple's largest supplier, made \$1.78 an hour (Arthur, 2012). In addition, Apple recently sought more control over the

global electronics supply chain by “binge hiring” hundreds of engineers and supply chain managers, in order to accelerate the release of new products (R. Tate, 2014).

Apple contends that its business model is about more than just money. In the words of Tim Cook: “...to me that goes from everything, from environmentally, to how you work with suppliers, with labour questions, to the carbon footprint of your products, to the things you choose to support, to the way you treat your employees” (Haslam, 2013). Indeed, due to its status and size, it has the power to end chronic labour rights abuses in its supply chain: “...the paramount issue remains whether Apple will ever choose to apply its legendary business prowess and spirit of innovation, and its enormous financial clout, to the goal of protecting the basic human rights of the people who make those products” (Nova & Shapiro, 2012a, p. 8). Former US Presidential candidate and business ethics campaigner Ralph Nader argues that “...Apple is in the best position of any company in the world because of its massive surplus profits to clean up its supply chain and set an example for the rest of the world” (Bilton et al., 2014). Yet as a former Apple executive told the New York Times: “We've known about labour abuses in some factories for 4 years, and they're still going on. Why? Because the system works for us. Suppliers would change everything tomorrow if Apple told them they didn't have another choice” (Duhigg & Barboza, 2012).

### **3.5 Apple and Foxconn: A Decade of Supply Chain Issues**

Foxconn is one of the largest EMS companies employing approximately 1.6 million people in China. The company is a contractor for many international OEM companies and is Apple's principal supplier in China (Hille & Jacob, 2012). Both companies have experienced an unprecedented and sustained rapid escalation in their gross revenues, which shows that these companies are intricately linked (Luk, 2015). Although Apple has extremely high profit margins and Foxconn's are wafer thin (Culpan, 2012), both companies are immensely well resourced: while they might claim some of the supply chain issues were due to the pressures of unimaginably rapid growth, they could make no claim to a shortage of funds with which to remedy the problems if they had resolved to (Luk, 2015).

Since 2006, Apple has been under fire for sourcing components from producers that have a poor reputation regarding employment conditions and practices. In that year, the first criticisms were voiced in the media regarding the circumstances in which Apple's iPods were being produced. It was alleged that production line workers were earning as little as US\$50 a month, while working 15 hours a day (Klowden, 2006). The story featured images and firsthand accounts; for example, one worker described the factory regime as follows: “...like being in the army. They make us stand still for hours. If we move, we are punished by being

made to stand still for longer... We have to work overtime if we are told to and can only go back to the dormitories when our boss gives us permission... If they ask for overtime, we must do it. After working 15 hours until 11:30 pm, we feel so tired” (Klowden, 2006). One of the factories owned by the Foxconn was described as harbouring as many as 200,000 workers, who inhabit onsite dormitories that house up to one-hundred people and are not open to outside visitors. Employees at this facility were paid approximately US\$50 a month for labouring 15 hours day. Elsewhere workers live in offsite dormitories and were paid approximately \$100 a month, of which half must be paid to their employer for housing and food.

The media report spread like a wildfire, as international newspapers started to feature stories that carried the same allegations, while posts about Apple's “sweatshops” started to appear on countless blogs, resulting in worldwide controversy in both online and offline media. Apple was experiencing a public relations nightmare: the maker of the world's most popular music player had been linked to appalling workplace conditions in unprecedented largescale factory cities, where workers were drilled in military style, lived in crowded dormitories, and were forced to work long shifts for low pay. Things took a turn for the worse in early 2010 when labour unrest shook up the south of China in the form of mass strikes and protests for wage increases and better working conditions. Three-dozen strikes took place at the factories of Foxconn, Honda, Hyundai, and other multinationals. It was suggested that increasing numbers of younger male workers, as well as an increased awareness of rights, were likely to have been catalysing forces behind the uprisings (Richburg, 2010).

### *3.5.1 Suicides, Human Rights Abuses and Dangerous Working Conditions*

Protests received global media attention after a string of suicides and attempted suicides occurred at the factories of Foxconn (Dean & Tsai, 2010). On 23 January, the body of the 19-year-old Ma Xiangqian was found in front of his high-rise dormitory of the Foxconn plant in Guanlan. Police investigators concluded that he had jumped from a high floor. Ma had worked 11-hour overnight shifts, seven nights a week, forging plastic and metal amid fumes and dust, until he was demoted to cleaning toilets after a dispute with his supervisor. His wage slip showed that he worked 286 hours in the month before he died, including 112 hours of overtime, three times the legal limit in China (Barboza, 2010). Others tried to commit suicide but failed, such as the 17-year-old Tian Yu. On 7 March, she jumped from the fourth floor of her dormitory, leaving her bedridden without sensations beneath her waist and carrying metal plates inside her body. After having worked for Foxconn for a month, she was unsure how to obtain her wage. She was told to go to a Foxconn facility an hour away, where she was sent from office to office, being told to go ask elsewhere. Tian returned humiliated and angry. The

next morning, she jumped from her dormitory (Chakraborty, 2013). In 2010, thirteen Foxconn employees had taken their lives, with another four 123 attempting suicide, and surviving badly injured (Lau, 2010; SACOM, 2010).

Incidents did not only occur at Foxconn, but also at other Apple suppliers (China Labor Watch, 2012a). In 2011, during a strike at Wintek, Chinese workers urged Apple to help resolve the incidence of chemical poisoning by hexyl hydride. Also called n-hexane, the chemical is regarded as a narcotic by the US Environmental Protection Agency, which in high concentrations can damage the central nervous system, induce vertigo and cause muscular atrophy (US EPA, 2000). Wintek, produces of touchscreens for Apple products at the time, used n-hexane from May 2008 to August 2009. It claims it ceased using the chemical after discovering it was making workers ill (Branigan, 2010). Authorities in Suzhou reported that in 2011, 137 Wintek employees had been poisoned by n-hexane (D. Chan, 2010). Workers complained about sore limbs, dizziness, headaches, extreme weakness and experiencing difficulties performing simple tasks such as climbing stairs and getting dressed. Among them was Jia Jingchuan, a 27-year-old who claims he was exposed to the chemical, and says that it has left him with nerve damage and hypersensitivity to cold (Barboza, 2011a).

In May 2011, an explosion at Foxconn in Chengdu caused three deaths and left many injured. The Chinese media reported the blast was caused by dust that had accumulated in the ventilation system, being ignited by a faulty wire. In December 2011, an explosion occurred at RiTeng Computer Accessory, a subsidiary plant of Pegatron Corp, another of Apple's Chinese suppliers, injuring 61 workers (Rundle, 2011). Two months before the first explosion occurred, non-profit organisation SACOM interviewed Foxconn factory workers, who complained the polishing department was filled with aluminium dust and had poor ventilation (D. Chan, 2010). In the aftermath of the second explosion, a Pegatron executive admitted that the factory had not started operations fully, and that parts of the facility were still under inspection and running trial production (Jim & Chang, 2011). Both explosions received global media attention.

A 2013 report by China Labor Watch highlighted 86 labour rights violations at Pegatron. Among the violations listed were recruitment discrimination, women's rights violations, underage labour, contract violations, excessive working hours, insufficient wages, poor working conditions, poor living conditions, difficulty in taking leave, labour health and safety concerns, ineffective grievance channels and abuse by management (China Labor Watch, 2013). In 2014, while assembly workers gear up to work overtime to build the new iPhone 6, one of Apple's key suppliers in the Philippines fired twenty-four workers that attempted to negotiate a new collective bargaining agreement (IndustriALL Global Union, 2014). A 2014 investigation by the BBC programme Panorama exposed ongoing controversies in Apple's supply chain. It found that the identity documents of workers were seized by labour

recruitment agencies, workers were sleeping in rooms with twelve people (where eight are allowed), suppliers conducted sham safety exams and created fake audit-trails, while the extremely exhausted workforce was drilled and intimidated. It also found children digging for tin in illegal mines (Bilton et al., 2014).

### *3.5.2 Apple's and Foxconn's Response: Supplier Responsibility Programme*

Apple started a supplier responsibility programme in 2006, when it established its Supplier Code of Conduct. Since then the company publishes a supplier responsibility report annually in which it makes its audit findings public. Apple states that it is "...committed to ensuring that working conditions in our supply chain are safe, workers are treated with respect and dignity, and manufacturing processes are environmentally responsible" (Apple, 2010). When violations of the Code of Conduct are encountered, Apple insists that the perpetrating company addresses the violation within 90 days. Should a supplier not meet Apple's demands the business relationship is terminated (Apple, 2011).

In an attempt to ensure Foxconn and other EMS companies were meeting the guidelines set out in the Supplier Code of Conduct, Apple probed labour conditions by means of hiring the independent audit provider Verite, who investigated production facilities throughout Apple's supply chains (Frost & Burnett, 2007). An Apple spokesperson was quoted as saying: "This is a thorough audit, which includes employee working and living conditions, interviews of employees and managers, compliance with overtime and wage regulations, and other areas as necessary to ensure adherence to Apple's supplier code of conduct. Apple's supplier code of conduct sets the bar higher than accepted industry standards and we take allegations of noncompliance very seriously" (Hessendahl, 2006).

In 2006, over one-hundred Foxconn workers were interviewed, of which eighty-three were assembly line workers. In total, over 500 factory line workers in eleven factories were questioned. From these interviews, Apple concluded that at one supplier the off-campus dormitories failed to meet the Supplier Code of Conduct. At another supplier, the overtime pay structure was deemed overtly complex. Although the Supplier Code of Conduct allows labour for up to 60 hours a week, the survey showed that Foxconn employees surpassed this limit 35% of the time. 2% of the interviewees reported that some individuals were disciplined inappropriately, being required to stand in the corner or do push-ups (Apple, 2007).

Workers were generally happy with the dormitories and were earning at least the local minimum wage. Apple stated that it expected suppliers to adhere to the principles set out in its Supplier Code of Conduct: "In cases where a supplier's efforts in this area do not meet our expectations, their contracts will be terminated" (Apple 2007, p. 4). Foxconn promised to make



appropriate changes to adhere to Apple's Supplier Code of Conduct. New off-campus dormitories were built, weekly overtime limits were to be strictly enforced, payment procedures simplified, and a supervisor-training programme was launched to ensure no harsh treatments would occur. Apple announced follow-up audits and an expansion of the monitoring programme, probing suppliers deeper in its supply chain (Apple 2007).

In June 2010, Steve Jobs was interviewed for over an hour at a global technology summit. While giving his thoughts on Google and the iPad, Jobs was also asked to give his thoughts on the Foxconn suicides: "I actually think that Apple does one of the best jobs of any companies in our industry, and maybe in any industry, of understanding the working conditions in our supply chain. We're extraordinarily diligent and extraordinarily transparent about it. We go into the suppliers, and into their secondary and tertiary suppliers, places where nobody has ever gone before and audited them. And we are pretty rigorous about it" (Kafka, 2010). Jobs went on less convincingly: "I mean, you go to this place, and, it's a factory, but, my gosh, I mean, they've got restaurants and movie theatres and hospitals and swimming pools, and I mean, for a factory, it's a pretty nice factory" (Kafka 2010). He went on to comment on the suicides, which numbered thirteen at the time, by saying they were "...still below the national average in the U.S.", adding that "...this is very troubling to us ... so we send over our own people and some outside folks as well, to look into the issue" (Kafka 2010).

In an interview with BusinessWeek, Terry Gou, the CEO of Foxconn stated: "The first one, second one, and third one, I did not see this as a serious problem". After the fifth suicide, Gou "...decided to do something different". After the ninth suicide occurred, Foxconn ordered over three million square meters of mesh netting to be put up around its buildings, 24-hour stand-by counselling teams were introduced, and wages were increased (Haslam, 2013). In its 2011 Supplier Responsibility Report, Apple stated that it had hired suicide prevention specialists to understand the conditions. They met with then Apple COO Tim Cook and Foxconn's CEO on a visit to the Shenzhen factory to assess Foxconn's measures to prevent further suicides. Three months after their visit, they praised Foxconn for its quick and adequate response on multiple fronts, such as hiring counsellors, establishing a 24-hour care centre, and attaching nets to its buildings. They concluded that Foxconn's response had saved lives. Foxconn pledged to implement further recommendations into long-term plans for addressing employee well-being. Apple stated that it would continue to work with Foxconn on these programmes and take key learnings to other producers in its supply chain (Apple 2011).

The n-hexane incidents were also addressed in the 2011 Supplier Responsibility Report. Apple stated that it had asked Wintek to cease using n-hexane and to fix the ventilation system. In order to prevent further incidents at Wintek, Apple furthermore asked them to improve their environmental health and safety processes and announced an audit of the Wintek facility

(Apple 2011). Apple stated that it verified that all affected workers were treated successfully. In line with Chinese law, Wintek had paid for all medical costs and foregone wages of sick employees. Apple further reported other incidents involving n-hexane. After they learned that a supplier and a subcontractor were still using the chemical, Apple investigated and found that the subcontractor had been shut down by local officials. It ensured that the supplier was no longer using n-hexane, instructed its supplier to optimise environmental health and safety systems, and followed up on the health of workers who suffered exposure (Apple, 2012).

In Apple's 2012 Supplier Responsibility Progress Report, the company announced that it was "...deeply saddened by events at two of our suppliers in 2011" (Apple 2012). Apple acknowledged that two explosions took the lives of four workers and injured dozens of others. According to the report, Apple sent in expert teams to investigate the circumstances in which each of the explosions occurred and provide suggestions for better health and safety conditions. The experts concluded that the explosions involved combustible dust, in which aluminium particles provided explosive fuel. In an effort to prevent similar incidents from occurring at other suppliers, Apple went on to audit all suppliers handling aluminium dust, while establishing new requirements for handling combustible dust such as specific ventilation, regular inspections of ductwork, banning usage of compressed air for cleaning, and having type-D fire extinguishers at hand to handle metal fires. According to Apple, all its suppliers except one have followed up on its demands and implemented the proposed measures: "the one supplier that has not will remain shut down until modifications are in place" (Apple 2012).

Apple has addressed a range of other issues that it has encountered during factory audits, such as discrimination, wages and working hours, dormitories and dining, freedom of association, employee treatment, and environmental impacts. Apple performed follow-up audits and sets key performance indicators for its suppliers, reports on progress and determines whether other core violations occurred. From 2005 onwards, Apple has reported and taken action on recruitment fee overcharges, underage labour, forging of records, and improper disposal of hazardous waste (Bilton et al., 2014). In 2012, Apple announced a deal it made with Foxconn regarding the hiring of labourers, stricter safety and overtime rules, and improving on facilities such as dormitories (Gupta & Chan, 2012). It is also engaged in the Electronics Industry Citizenship Coalition (EICC), an alliance of electronics firms whose aim is to improve working conditions and reduce environmental impact throughout the supply chain of the electronics sector. Companies can join the EICC by adopting the Code of Conduct through signing a commitment letter and completing a self-assessment questionnaire, after which the board of directors of the EICC will determine whether the company is eligible for membership (EICC, 2015). The board of the EICC, however, is entirely made up of executives from the

electronics sector, however, and funding is derived from the same sector though membership fees and company audits, causing a potential conflict of interest.

### **3.6 Continuing and Unresolved Dilemmas in Apple's Supply Chain**

It is clear that Apple is aware of the pitfalls of outsourcing manufacturing to low-wage countries. In order to balance the assessment of Apple's and Foxconn's responses, it is helpful to see what independent organisations have found after Apple and its suppliers had promised to address wrongdoings. Organisations such as the Centre for Research on Multinational Corporations (SOMO), China Labor Watch, and SACOM have focused on labour practices, while the Chinese Institute of Public and Environmental Affairs (CIPE) has studied pollution through Apple's supply chain and its impacts on workers and the environment. The reports of these organisations need to be approached with the same rigour as Apple's supplier reports, yet the fact remains that the findings in these reports are dramatically different to the information published by Apple and Foxconn. This shows that conditions have not improved to the point where critics have been silenced.

In 2007, a year after Apple had first come under scrutiny because of its iPod production facilities, SOMO published a report on Apple's CSR activities. It found that, although Apple stressed the importance of its Supplier Code of Conduct, the means by which compliance is verified remained opaque. Furthermore, workers continued to express concerns about forced overtime, lack of safety while working with hazardous substances, low wages, disproportionate wage deductions and withheld wages (Van Dijk & Schipper, 2007). In 2010, the year that witnessed the labour unrest in China and the first of the Foxconn suicides, SACOM investigated working conditions at Foxconn by conducting interviews with workers and sending in undercover researchers to work in production facilities. It alleged that workers were compelled to work overtime, as they were required to sign an overtime pledge clause as part of their contract, and that physical and mental abuse by superiors was far from uncommon (SACOM, 2010). In 2011, SACOM found that although Apple commends actions taken by Foxconn, many promises remain unfulfilled (Table 2) (SACOM, 2011).

Table 2: Apple and Foxconn Unfulfilled Promises

	<b>Apple and Foxconn Promise 2010</b>	<b>Operational Reality 2011/2012</b>
Recruitment and terms of employment	In strict compliance with the law	Misleading statements (e.g. regarding wages, benefits, and location of work)
Wages	Across the board increases	Miscalculation of wages; unpaid overtime work per month; continuous shifts denying meal breaks
Health and Safety	Adequate personal protective equipment; health examination	Lack of protection; workers not well informed about the chemicals in use
Student workers	Length of internship regulated; skills training provided; underage workers protected (16-18 years of age)	Interns are de facto workers; mandatory night shifts
Grievance mechanisms	Better worker-management communication by launching a hotline for workers	Workers cannot find effective ways to handle grievances at the workplace

Source: SACOM (2011)

In 2011, the CIPE published a report concerning hazardous waste in Apple's supply chain and its impacts on factory workers and the environment. From their investigation, CIPE concluded that more than twenty-seven Apple suppliers experienced environmental problems, the majority of which had failed to dispose of their hazardous waste properly, ignoring regulation for hazardous waste transport, leading to unknown whereabouts of toxic waste products. Despite Apple's self-audits, the 2011 Supplier Responsibility Report does not mention violations regarding the disposal of hazardous waste. Unfortunately, there is no way to confirm these queries with Apple, as its policy is not to disclose supplier information (Barboza, 2011b)

In June of 2012, the US-based NGO China Labor Watch published a report that detailed the working conditions at ten of Apple's electronic component suppliers in China. Based on interviews with employees and observations made in the workshops, which took place without Apple's approval, China Labor Watch concluded that employees were exposed to health hazards in the workplace, as well as being paid poorly and having to work long shifts (China Labor Watch, 2012a). The organisation is sceptical about Apple's dealings with EMS

companies, and doubts whether its actions are an incentive for change in China's technology manufacturing industry (Gupta and Chan 2012).

In contrast, the Fair Labor Association (FLA) published a report in 2012 on the progress made by Apple's largest suppliers. In the Foxconn Verification Status Report (Fair Labor Association, 2012), it suggests that "...Foxconn and Apple are carrying out the robust remediation plan developed following FLA's investigation, published on March 28, 2012. Over the past three months, steady progress has been made at the three facilities...and all remediation items due within the timeframe have been completed, with others ahead of schedule" (p. 3). In a scathing review of this report, the Economic Policy Institute (Nova & Shapiro, 2012b) dismisses these conclusions: "...Foxconn receives a perfect completion score from the FLA only because FLA gives Foxconn credits for reforms that are either incomplete or purely symbolic" (p. 2):

- FLA gives credit to Foxconn for increasing the numbers of workers on a 32-person union leadership committee from two to "at least three", when the other 29 members can still be factory managers.
- The FLA maintained that Foxconn employees were working no more than 60 hours per week, and 80 hours monthly overtime (above China's legal maximum of 36 hours). SACOM argues that as iPhone 5 reached peak production, overtime reached 100 hours per month, with workers only getting one day off every 13 days (China's legal minimum) (SACOM, 2012a).
- The promise made by the FLA and Apple that Foxconn workers would all receive back pay where overtime was illegally undercompensated was broken. The Foxconn practice was to pay overtime in 30-min units, with 29 min not counting for payment. Later Foxconn reduced this threshold to 15 min.
- While the FLA reported that Foxconn was formally meeting the goal of limiting the working week to 60 hours, this standard remains illegal, and there is no basis in Chinese law to exempt companies. China Labour Watch (2012c) reported that to the extent, working hours have been reduced, work intensity has increased: workers are expected to have the same output in fewer hours with less pay.
- Findings by SACOM in 2012 contradict the FLA report, with other media reports of violations including the use of underage labour by Foxconn, involving workers as young as 14 and forced overtime in the production of the iPhone 5, involving the denial of national holidays (Nova and Shapiro 2012).

- SACOM's observes that it: “[...] is ironic that Apple declared to the world that it would ensure that working hours and other working conditions would be improved, but would then push its major supplier Foxconn, and consequently its workers, to meet product schedules inconsistent with such improvements” (SACOM 2012, p. 1).

In 2014, the BBC programme Panorama found that workers are left exhausted as Apple's promises are being broken on the factory floor. All of Panorama's undercover reporters were routinely on shifts that lasted at least 12 hours with the longest shift lasting 16 hours. Overtime was standard, as the workers did not have much choice. An instructor yelled: “There are four options. Two show you will consent and two show you will not. Don't tick the options that indicate that you are not willing. Tick the two which say you are. If you tick the boxes which say you are not willing, the forms will be cancelled” (Bilton et al. 2014). This is a breach of Apple's promises: “...all overtime must be voluntary” (Apple, 2015)

In spite of Apple's promise to protect workers who are under 18 by stating that “...juvenile workers shall not work overtime” and “...juvenile workers shall not conduct night work” (Apple, 2014). The reporters found evidence of the contrary, and payslips suggest that illegal working hours are commonplace. One of the reporters was even asked to sign a form consenting to work hours that were a breach of Apple's hours limit. Another reporter's overtime payments were disguised as a work bonus (Bilton et al. 2014). Although Apple states that it goes “...deep into its supply chain to enforce standards” (Apple 2015), in only a few days, the BBC TV programme Panorama found a connection between Apple and dangerous tin mines in Indonesia. As legal mining alone cannot keep up with demand, illegal mines have been created where miners are often members of families, among which minors (Bilton et al., 2014)

Apple says that the “...ethical sourcing of minerals is an important part of our mission” (Apple, 2014). While the company has confirmed it gets tin from Banka, it has never been confirmed whether illegal tin ends up in Apple products. One smelter operator that provides tin to Apple says that all smelters get an amount of tin through middlemen, and they cannot tell whether the tin is legal. Yet Panorama shows that illegally mined tin ends up in smelters that provide to Apple (Bilton et al. 2014). According to China Labour Watch, it is “...impossible that they don't know about the issues, we have repeatedly pointed out the problems in our reports, but we have seen almost no improvement” (Bilton et al. 2014). Panorama informed Apple about its findings 6 weeks prior to a meeting at Apple's headquarters. After a 3-hour meeting, Apple said it would not be putting anybody up for interview (Bilton et al. 2014).

The 2015 Apple Supplier Responsibility Progress Report is the latest account of the policies and practices in the Apple supplier plants. The comprehensive nature of the report is

to be commended, and the fact that a series of statistics indicating poor performance is published rather than concealed. However, it is profoundly worrying that while a commitment to review and reform of policy and practices in Apple supplier factories commenced in 2006, after 10 years reviews still record what appear to be dangerous levels of non-compliance. According to Apple, the number of responsibility audits and the participation in workers' rights training have improved dramatically over the years (Figures 6 and 7). But what has improved modestly, if at all, are core policies and practices on the whole range of responsibility issues.

Figure 6: Apple responsibility audits

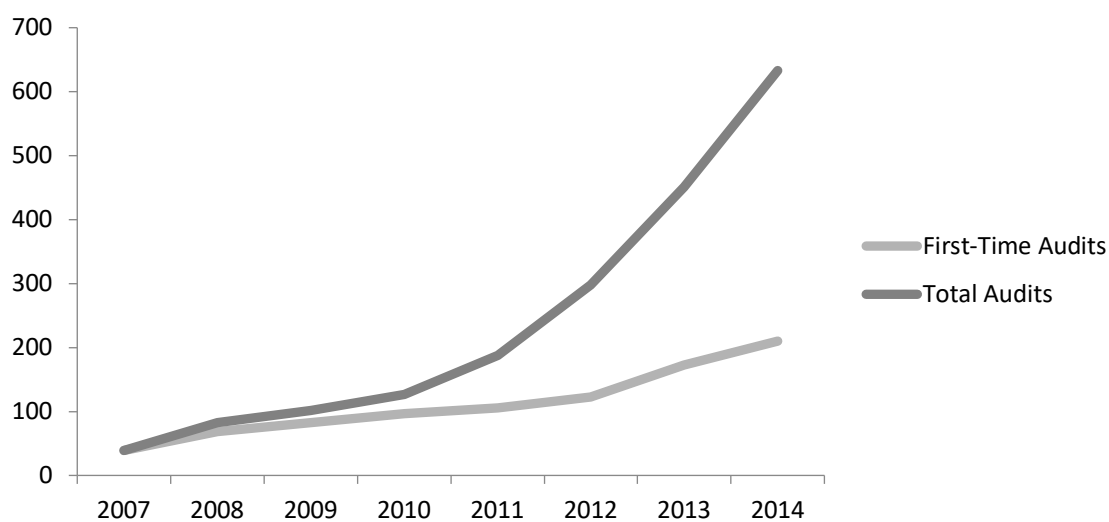
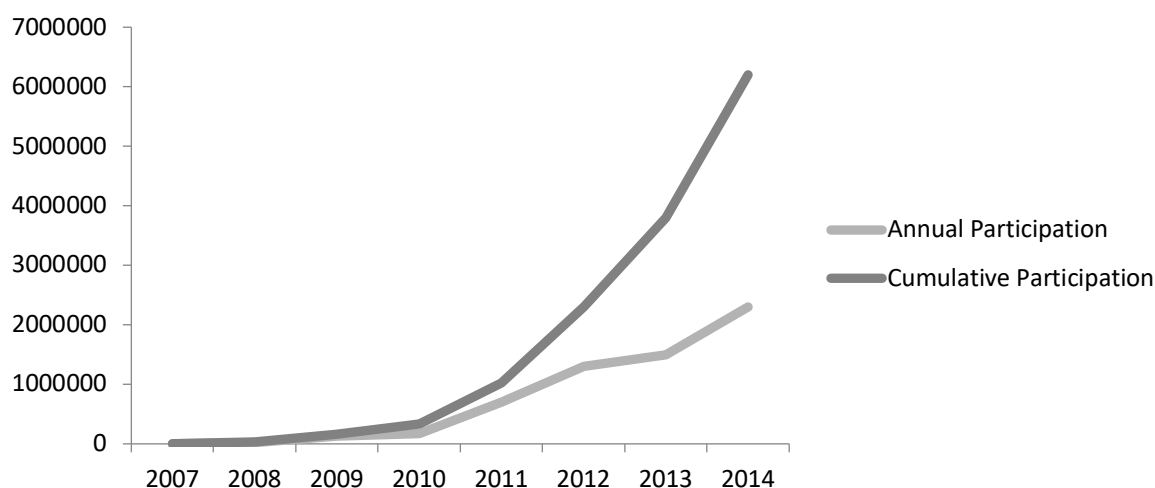


Figure 7: Participation in workers' rights training



Source Fig 6 & 7: Adapted from Apple Supplier Responsibility Report 2015 Progress Report

As Table 3 indicates, on Labour and Human Rights, only 72% of plants are compliant on Wages, Benefits and Contracts, and the relevant Management Systems are only 70% compliant. On Health and Safety (Table 4), compliance with Prevention and Preparedness stands at 70% and Management Systems at 61 %. On the Environment (Table 5), the Air Emission Management is at 71% and Management Systems at 65%. On Ethics (Table 6) Business Integrity is rated at 93% and Management Systems at 90%. Finally, on Management Systems (Table 7), Management Accountability and Responsibility are rates at 60%.

While these figures could be regarded as a testament of Apple’s intention to discover and disclose the truth, given the years that these poor compliance rates have existed, what is concerning is that the improvements, if any, have taken so long. Apple is a company that would not tolerate 0.01% non-compliance in the precision of engineering supplies and yet in employment practices appears positively lax. Of course, these are predominantly production plants in China, owned and operated by Taiwanese and other corporations, but if they can produce such elegant, wonderful consumer electronics it might be reasonable to expect them to manage and ensure that their workforce have shift patterns that are humane, that they can have regular leisure time, sleep regularly, and are not exposed to hazards.

Table 3: Labour and human rights

<b>Category</b>	<b>Practices in Compliance</b>	<b>Management System Compliance</b>
Anti-Discrimination	88%	82%
Anti-Harassment and Abuse	85%	82%
Prevention of Involuntary Labour	85%	84%
Prevention of Underage Labour	95%	92%
Juvenile Work Protections	79%	73%
Working hours*	92%	*
Wages, Benefits, and Contracts	72%	70%
Freedom of association and Collective Bargaining	96%	94%
Grievance Mechanisms	88%	87%
Student Worker Protections	67%	64%
<b>Overall Compliance</b>	<b>81%</b>	<b>78%</b>

\*Apple gauges this process by tracking working hours weekly for over 1.1 million workers. It reports that in 2014 suppliers achieved an average of 92 percent compliance, and the average hours worked per week was under 49 for all workers, and 55 hours on average for those who worked at least 40 hours per week.



Table 4: Health and safety

<b>Category</b>	<b>Practices in Compliance</b>	<b>Management Systems Compliance</b>
Occupational Health Safety and Hazard Prevention	70%	61%
Emergency Prevention, Preparedness and Response	61%	52%
Ergonomics	69%	66%
Working and Living Conditions	83%	79%
Health and Safety Communication	55%	42%
Health and Safety Permits	52%	44%
Incident Management	77%	73%
<b>Overall Compliance</b>	<b>70%</b>	<b>63%</b>

Table 5: Environment

<b>Category</b>	<b>Practices in Compliance</b>	<b>Management Systems Compliance</b>
Hazardous Substance Management and Restrictions	72%	65%
Wastewater Management	73%	67%
Stormwater Management	67%	57%
Air Emissions Management	71%	65%
Solid Waste Management	85%	77%
Environmental Permits	65%	60%
Pollution Prevention and Resource Reduction	94%	92%
Boundary Noise Management	88%	83%
<b>Overall Compliance</b>	<b>76%</b>	<b>69%</b>

Table 6: Ethics

<b>Category</b>	<b>Practices in Compliance</b>	<b>Management Systems Compliance</b>
Business Integrity	93%	90%
Disclosure of Information	97%	96%
Whistle-blower Protection and Anonymous Complaints	89%	87%
Protection of Intellectual Property	95%	92%
<b>Overall Compliance</b>	<b>93%</b>	<b>91%</b>

Table 7: Management Systems

<b>Category</b>	<b>Management Systems Compliance</b>
Commitment	79%
Management accountability and responsibility	60%
Management systems	100%
Documentation and record	85%
Training and communication	79%
Worker feedback and participation	92%
Corrective action process	79%
<b>Overall Compliance</b>	<b>75%</b>

*Source Table 3-6: Adapted from Apple supplier responsibility 2015 progress report*

### **3.7 Discussion: A Continuing Cycle of Failure**

A key question is how one of the largest companies in the world gets away with profiting from exploitation: “Apple's responsibility is underscored by the reality that the company has profited greatly from a production system at Foxconn that has long been defined by low wages and harsh and illegal treatment of workers – a system that has in many ways been necessitated by the price pressures and production demands Apple imposes, especially when it is rolling out new products” (Economic Policy Institute 2012, p. 10). While distance may conceal a degree of the intensity of exploitation from the affluent consumers who enjoy its products, how has Apple managed to maintain its organisational legitimacy? The empirical analysis has made it clear that marketing efforts have succeeded in creating the world's best-known brand, in which Apple has deployed the imagery of many progressive icons. Yet in its slogans Apple never expressly brands itself as an ethical company, nor is the pursuit of corporate social and environmental responsibility expressed as part of Apple's core values. Reference to operating in a socially and environmentally responsible manner follows controversies and takes the shape of codes of conduct and audit reports, which shows that Apple's actions can be characterised as reactive and belong to the code of conduct and social auditing age.

It has been shown that Apple's legitimacy is established through a dynamic process that involves a specific configuration of institutions and stakeholders. Apple's legitimacy is frequently under threat by issues raised by NGOs, the media, organised labour, and other interest groups, which give voice to concerns marginalised stakeholders are often unable to express themselves. Withdrawn from the process, and apparently not acknowledging any responsibility beyond encouraging investment from overseas multinationals, is the Chinese Government. Global value chains are prone to exhibiting governance gaps or weaknesses, and in Apple's case institutional failure occurs where existing Chinese labour laws and lack of enforcement provide insufficient protection. Apple's private initiatives have attempted to fill this gap to a degree, while independent audits, investigative journalism and civil society organisations play a role in keeping Apple accountable, replacing the Chinese government as the guardian of public interest. Consumers have proved largely absent in this process: the sales of Apple products are unaffected by supply chain controversies, and Apple continues making record profits. Customers do not penalise Apple in the marketplace for the issues in its supply chain, and there is no evidence to suggest that Apple experiences consumer pressure at all.

It is evident that the existing configuration of institutional and stakeholder pressures has not prevented human and employment rights abuses in the Apple supply chain from occurring. At present, Apple's main concern is to reaffirm its legitimacy with consumers of its products, a task that it fulfils readily despite continuing misconduct in its supply chain, as consumer awareness or pressure is largely absent. Similarly, Foxconn succeeds in reaffirming

its legitimacy in the eyes of Apple. It is clear that Foxconn makes largely symbolic efforts, while circumstances on the factory floor have changed little. The private initiatives by Apple and Foxconn have thus created a facade of social and environmental compliance with which both parties are content. If not for the efforts by NGOs, the media, organised labour and other interest groups, this smokescreen would continue to obscure supply chain exploitation. However, as the legitimacy of Apple with customers was never truly under threat, these whistle-blower groups can do little more than bear witness and raise awareness. The safeguard of public authority falls dramatically short, leaving workers and those that relay their voice with few influential avenues to pursue remedies.

### **3.8 Conclusion and Further Research**

The shortfalls of Apple and Foxconn's voluntary and self-regulatory initiatives – which take the shape of patches to a fundamentally flawed production system – allow problems at manufacturing plants to persist. Significant and effective changes in Apple's supply can only be achieved if this impasse is broken. Consumers and CSOs are generally a powerful tandem in achieving social and economic change, and pressure by CSOs that harness consumer power is one of the driving forces to achieve changes in social and environmental practices. However, in this instance, the consciousness-raising moments that consumers experience through the work of CSOs have been effectively countered by Apple public relations efforts and Foxconn's symbolic reforms. This allows exploitative practices to continue, perhaps indefinitely. If authorities fail to improve regulation and enforcement, workers are perhaps best served by co-regulatory efforts coming out of multi-stakeholder initiatives, instead of relying on the current corporate self-regulatory social and environmental regime

If conditions in Apple's supply chain are to fundamentally change, it is crucial that the institutions and stakeholders that are currently absent, uncoordinated, or underrepresented assume a more active role. One way to achieve this is by bringing institutions and stakeholders together in a forum that allows them to engage in debate and collaborate to achieve reforms. The use of multistakeholder initiatives, a practice that can bring together any configuration of private, public and third sector institutions, as well as a range of other stakeholders, has proliferated in recent times (Sushil Vachani & Post, 2012). Many of these initiatives aim to increase global value chain sustainability by improving working conditions and reducing environmental impact (Martens, 2007). The development of these initiatives is the direct result of a landscape that is characterised by international trade, economic deregulation, and the ascent of global value chains (Utting & Zammit, 2009). Multi-stakeholder initiatives attempt

to fill the governance gaps and enforcement by formulating co-regulatory measures (Nossar, Johnstone, Macklin, & Rawling, 2015), seen as an alternative to corporate self-regulation.

Empirical studies suggest that establishing partnerships between companies and NGOs can improve stakeholder integration, assist in formulating sustainable standards, and stimulate cooperative behaviour amongst stakeholders throughout global value chains (Dahan, Doh, Oetzel, & Yaziji, 2010; Perez-Aleman & Sandilands, 2008). Multi-stakeholder initiatives are arguably more legitimate compared to industry-led initiatives such as the EICC, as they include civil society actors. They can develop social and environmental standards and are perceived as initiatives that can address governance challenges in global value chains (Dolan & Opondo, 2005; Lund-Thomsen & Nadvi, 2010). However, recent studies show that multi-stakeholder initiatives do not always fulfil their potential, as independent monitoring of associated social and environmental standards can be inadequate, while not all stakeholders may be included in ways that satisfy their concerns (Fuchs, Kalfagianni, & Havinga, 2011).

## **Chapter 4: The Frontiers of Corporate Social Responsibility**

The previous chapter explains why Apple's approach is not structurally improving supply chain labour conditions. We will proceed to look at innovative approaches to CSR. The journal article at the centre of chapter four explores the influence of multistakeholder initiatives and the UN Guiding Principles on Business and Human Rights (UNGPs). The research is based on interviews that survey the experiences of CSOs in working with and campaigning against companies to eradicate child labour. It finds that effective strategies are characterised by contextual and holistic approaches and have a focus on prevention and remediation. It is argued that multistakeholder partnerships and the UNGPs are prompting companies to move away from reactive and paternalistic responses by encouraging proactive and pluralistic approaches. Theoretically, the findings suggest that these developments have changed the stakeholder status of child labourers, who nevertheless continue to rely on CSOs to add weight to their claims.

The findings of this article will be revisited in chapter six. The concluding chapter will examine how the UNGPs and multistakeholder initiatives are influencing the dynamics around organisational legitimacy. Chapter six examines how CSOs have changed their strategies in trying to effectuate change in the behaviour of companies. It also looks at how these changes in CSO strategies have influenced the legitimisation tactics deployed by companies in response. It will become clear that the conventional code of conduct and social auditing-based method, which has been a common approach since companies started addressing supply chain abuses in the 1990s, is regarded as a reactive and paternalistic strategy that is no longer an appropriate response to supply chain exploitation. Based on the interview findings, chapter six will also uncover several legitimising myths which are used to maintain and contest the CSR paradigm.

Among hierarchy-enhancing legitimising myths which seek to maintain the CSR paradigm is the notion the companies and industries can successfully self-regulate. This myth has also been discussed in the introduction and in chapter one in the context of neoliberalism. In addition, while supply chain "tiers" are a useful concept, companies often misuse tiers to limit their responsibilities in the supply chain. Finally, there is often a misleading focus on the emancipatory power of business and the good that companies can do. This focus distracts from the actual impact of companies on labour standards in global supply chains. Among hierarchy-attenuating myths are the need for legal, internationally agreed upon and binding frameworks. Other myths that seek to contest the CSR paradigm and taking a proactive, pluralistic, holistic, and contextual approach to labour abuses, rather than companies taking a reactive, unilateral, single-issue and one-size fits all approach.

## **Article: “Changing Approaches to Child Labour: Exploring the Influence of Civil Society Organisations and the UN Guiding Principles on Business and Human Rights”**

Child labour remains a scourge in the modern world. The International Labour Organisation (ILO) estimates there are 168 million child labourers globally, of which 85 are involved in work that endangers their health, safety and development (International Labour Office, 2013). Because of the rise of global supply chains as the dominant mode of production and provision of services in the contemporary era, the use of child labour has become intricately connected to companies and consumers around the globe. It is estimated that 60% of global trade in the real economy depends on the supply chains of 50 corporations, which employ only 6% of workers directly and rely on a hidden workforce of 116 million people (International Trade Union Confederation, 2016). These obscure employment relations increase the chances of companies being implicated in human rights abuses such as child labour. In the context of global supply chains, the use of child labour is “the last frontier of renewed over-exploitation under networked, global capitalism” (Castells, 2010, p. 159).

Strategies of civil society organisations (CSOs) such as non-governmental organisations (NGOs), religious charities and trade unions have traditionally relied on naming and shaming companies into admitting and addressing the exploitation of children in their operations or supply chains (Fombrun, Gardberg, & Barnett, 2000; Greenleaf, Berliner, Lake, Levi, & Noveck, 2015). Meanwhile, corporate approaches to child labour have mainly revolved around codes of conduct and social auditing (Kolk & Van Tulder, 2002a, 2002b, 2004). In recent times, conventional approaches to human rights abuses by businesses are increasingly supplemented by innovative methods such as business partnerships with CSOs (Jamali & Keshishian, 2009; Perez-Aleman & Sandilands, 2008; Seitanidi & Crane, 2009) and reliance on the UN Guiding Principles on Business and Human Rights (UNGPs) (Ruggie, 2011a). Thus far it remains unclear how these developments are linked to strategies of companies and their stakeholders to combat child labour in global supply chains. This research gathers the views of CSOs that have worked with and campaigned against companies. It research explores the connection between multi-stakeholder partnerships and the UNGPs with approaches to eradicate child labour, and examines which contemporary approaches to child labour are considered to be effective.

This article is structured as follows. The literature review will discuss the traditional approaches of companies to child labour in global supply chain through codes of conduct and the auditing of suppliers. It will also discuss the traditional methods used by CSOs, which are characterised by awareness-raising activism and brand damage campaigns. The overview of conventional approaches will be followed by a discussion of the increase in partnerships

between companies and CSOs and the transformative role of the UNGPs. The literature suggests that while the traditional corporate approaches to child labour are increasingly regarded as ineffective, partnerships with CSOs are marked by challenges as well, which manifest in the tension between activism and collaboration, and the degree of influence corporate stakeholders exert on CSR agendas.

Stakeholder theory will inform the theoretical discussion for two reasons. First, the consideration of child labourers as stakeholders is crucial in combatting their exploitation (Woodhead, 1999). Second, existing literature that examines the approaches of CSOs, companies and other actors in the context of CSR often uses stakeholder theory to describe actor dynamics and strategies (Burchell & Cook, 2006a; Van Huijstee & Glasbergen, 2008). Stakeholder theory can therefore assist in explaining the influence of multistakeholder partnerships and the UNGPs on approaches to child labour. The research will examine how stakeholder attributes, and the stakeholder status of child labourers in particular, are changing now that companies are shifting from codes of conduct and social auditing approaches towards stakeholder partnerships and human rights due diligence.

Interviews are used to explore the experiences of CSOs in working with and campaigning against companies. The interviews discuss the limits of conventional approaches such as corporate self-regulation, the importance of the UNGPs and other internationally agreed upon frameworks, the benefits of taking a preventative, holistic and remedial approach, and the promises and challenges of multistakeholder initiatives. In summary, the aims of this research are twofold: practically, it identifies the contemporary approaches to child labour that CSOs consider to be most effective, while it explores how multi-stakeholder partnerships and the UNGPs can be linked to companies addressing child labour on a proactive and pluralistic basis; theoretically, it describes how the move from reactive and paternalistic corporate responses towards proactive and pluralistic approaches by companies influence the stakeholder attributes of child labourers and change their stakeholder status.

#### **4.1 Child Labour in Global Supply Chains**

The inadequate scope of national laws and regulation to address child labour in global supply chains has long been recognised (Winstanley, Clark, & Leeson, 2002). In a transnational context marked by governance and enforcement gaps, private regulation and CSR strategies can work as a substitute for the protection of human rights if national legal frameworks are weak or local enforcement is lacking (Fransen & Burgoon, 2012; Fransen & Kolk, 2007). Concerning child labour, corporate self-regulation has traditionally occurred through corporate codes of conduct and social auditing (Kolk & Van Tulder, 2002a, 2002b, 2004). While codes

of conduct have a limited reach and only apply to a small fraction of child labourers – as the majority of children work in the informal and dark economy – companies can nevertheless lead the way and set an example for governments and businesses (Kolk & Van Tulder, 2002b).

The shortfalls of existing legal frameworks in a transnational context and the emphasis on self-regulation puts businesses in a position of risk as well as responsibility: companies face the threat of reputational and financial damage by being connected to child labour, and by not addressing the issue correctly, while they simultaneously have the ability and moral responsibility to act as an emancipatory force. Although self-regulation and CSR strategies have become commonplace among companies in the last decades, the approaches and commitments to specific social and environmental issues can vary greatly among companies (Klettner et al., 2014b) Furthermore, critical assessments of corporate self-regulation and CSR have shown that these approaches can unjustly favour corporate interests and often result in symbolic rather than substantive outcomes for stakeholders (Boersma, 2015a; Newell, 2005).

Exactly what corporate approaches to human rights violations such as child labour should look like is a continuing topic of debate. Leeson has identified a three-pronged model of corporate approaches to human rights abuses: ignorance, indifference and involvement (2000). While ignorance and indifference speak for themselves, business involvement is broken down into two approaches: disengagement and engagement. Disengagement, also known as “cutting-and-running”, leaves child labourers, their families and communities worse off, for example by forcing increasing numbers of children to work in the informal and dark economy (Kolk & Van Tulder, 2002a). In contrast, corporate engagement can be effective if policies and practices are specific, efficiently implemented and monitored, and supplemented with measures to improve working conditions, education and health, and finding alternative income for families (Kolk & Van Tulder, 2002a, 2002b).

Barrientos and Smith find that corporate codes of conduct can indeed reduce the occurrence of child labour (2007). However, their study was limited to upper supply chain tiers, and where child labour had existed it had largely been eliminated by legislation and fear among companies of losing business (Barrientos & Smith, 2007). Problematically, many child labourers are linked to companies through sub-contracting practices further down supply chains, making it difficult to enforce corporate codes and policies, as illustrated by children digging for tin in illegal mines, which through middle men ended up in Apple products (see chapter three; Bilton et al., 2014) This indicates the need for approaches that go beyond corporate codes of conduct and the auditing of direct operations and suppliers, towards strategies that consider the intricacies of global supply chains. Indeed, there is evidence which suggests that companies, inspired by the UNGPs, increasingly recognise the shortfalls of



traditional code of conduct and auditing approaches, and instead have started to explore innovative models to change the existing social compliance paradigm (Shift, 2013a).

#### **4.2 The Role of Civil Society Organisations and Partnerships**

CSOs such as trade unions, religious charities, NGOs, and aid organisations have a strong interest in protecting human rights in global supply chains. Due to their efforts, many instances of child labour have been brought to public attention (Van Tulder & Kolk, 2001). The efforts of CSOs have been crucial in combatting child labour by means of education, poverty relief and gender equity initiatives (Anker, 2000). Indeed, research shows that a well-educated workforce, poverty reduction and effective social policies can cause a reduction in child labour (Cigno, Rosati, & Guarcello, 2002; Jensen & Nielsen, 1997). In their interactions with companies, CSOs have traditionally used contrasting strategies to influence business and effectuate change. Van Huijstee and Glasbergen (2010) apply the terms “symbolic gain” and “symbolic damage”, introduced by Den Hond and De Bakker (2007), to brand collaborative efforts between CSOs and companies, as well as opposing strategies.

The ways in which CSOs decide to engage with companies does for a large degree depend on how companies decide to approach the issues raised by their stakeholders: non-engagement or paternalist corporate attitudes – presuming to know what is best for stakeholders – are likely to result in activist responses, while pluralist engagement by companies – accepting a diversity of views – is more likely to result in collaboration and stakeholder consultation (Van Huijstee & Glasbergen, 2010). Failure of pluralist models can however still result in civil society activism or paternalist corporate attitudes (Van Huijstee & Glasbergen, 2008). Indeed, if collaborative efforts fail, CSOs can use symbolic damage campaigns and public pressure to force companies to recognise and address the impacts of their actions while exposing symbolic corporate gestures that lack substance (S. Vachani et al., 2009).

Skippari and Pajunen have stressed the importance of companies responding promptly to public pressure campaigns by CSOs, as ongoing conflict decreases the control that companies can exert over the situation (Skippari & Pajunen, 2010). In addition, Doh and Guay suggest that CSOs will have a better chance of success when intervening while a company is still developing its response to CSR issues, and that establishing coalitions with other companies, governments and civil society actors also increases the chances of achieving desirable outcomes (Doh & Guay, 2006) This illustrates the potential of multistakeholder initiatives in addressing the human rights impacts of business, and suggests that CSOs can occupy a strategic position as a mediator between stakeholders.

### 4.3 The Rise of Multistakeholder Initiatives in Global Supply Chains

The existing literature on child labour in global supply chains outlines the need to focus on collaborative approaches, as the issue cannot be resolved on the basis of solo efforts by stakeholders (Kolk & Van Tulder, 2002a, 2002b; Zutshi, Creed, & Sohal, 2009). One of the benefits of taking a multi-stakeholder approach is that it has the potential to increase the “leverage” of companies, which refers to their capacity to address harmful practices related to business operations by influencing their own behaviour, as well as that of suppliers, customers, consumers, and government relations (Shift, 2013b).

In the context of global supply chains, partnerships between companies and CSOs have the capacity to be mutually beneficial. For example, while CSOs such as trade unions are important actors in combatting child labour, the globalisation of production has made organised labour “disaggregated in its performance, fragmented in its organization, diversified in its existence, divided in its collective action [...]” (Castells, 2009b, p. 506). Conversely, the global fragmentation of production has substantially changed the employment relationship, making it increasingly difficult for companies to establish meaningful relationships with workers in supply chains (Preuss, Haunschild, & Matten, 2006).

Consequently, the traditional role of trade unions and worker representatives in protecting labour and human rights, as well as attempts by companies to manage the employer-employee relationship, are increasingly supplemented by CSR strategies and the efforts of multiple stakeholders to avoid and remediate worker exploitation in global supply chains (Preuss, 2008; Preuss, Haunschild, & Matten, 2009; Preuss et al., 2006). Although there are questions about the relevance of national trade unions in global supply chains, particularly as child labour and CSR issues in transnational contexts transcend local settings, worker representation has the ability to internationalise activities (Antal & Sobczak, 2007). As such CSOs are important actors for companies to consider in formulating CSR strategies, while CSOs can benefit and increase their influence by choosing cooperative rather than antagonising methods of engagement.

Preuss and co-authors have examined the respective roles that worker representatives and corporate management play in effectively formulating and implementing CSR strategies in global operations (Preuss, 2008; Preuss et al., 2006, 2009). They found that management and worker representatives exercised different degrees of influence: management responded reactively as well as actively to issues, while worker representatives actively requested social responsibility audits, and convinced management to turn voluntary CSR agendas into binding commitments on forced and child labour, equal pay, health and training (Preuss et al., 2009). Furthermore, worker representatives were shown to develop pragmatic strategies in dealing

with the tensions between management paradigms and local institutions. Finally, worker representatives also used CSR agendas to establish collaborative ties with other corporate stakeholders such as NGOs (Preuss et al., 2009).

It is important to note that multistakeholder partnerships are not devoid of challenges (Jamali & Keshishian, 2009). As discussed, although child labour cannot be effectively addressed solely through corporate self-regulation and solo efforts of stakeholders, thus indicating the need for collaborative approaches, the failure of pluralist models can still result in activism by CSOs and paternalist attitudes by companies (Van Huijstee & Glasbergen, 2008). Furthermore, Preuss and co-authors argue that companies strive to keep a first-mover advantage in developing CSR agendas and strategies, and want to have the ability to exclude stakeholders from doing so, while CSOs want to actively shape the CSR agenda and strategies of companies and avoid losing influence over this process (Preuss et al., 2006, 2009). These dynamics create potential stakeholder tensions in addressing child labour in supply chains.

#### **4.4 The Influence of the Human Rights Agenda**

Corporate approaches to child labour are characterised by the question whether management wants to take a conservative approach by following mainstream CSR approaches, and therefore adhere to the principles of shareholder value, or instead aim to be industry leaders by focusing on addressing stakeholder values (Kolk & Van Tulder, 2004). This shows that CSR strategies are diverse and can be placed on a spectrum that ranges from conventional to progressive (Visser, 2010). This also holds true for corporate approaches to human rights. While human rights have been part of CSR agendas for a considerable time (Welford, 2002; Ruggie, 2007), the endorsement of the UNGPs by the UN Human Rights Council in 2011 designates a new frontier in approaching human rights impacts and responsibilities of companies.

The UNGPs provide guidance for the implementation of the “Protect, Respect and Remedy” framework by advising governments and companies on how to prevent and remediate the human rights impacts of business activities. The UNGPs aim to move beyond the existing dichotomy between voluntarism and legalistic approaches to human rights by promoting a framework based on three pillars: (1) the state duty to protect human rights; (2) the corporate responsibility to respect human rights; and (3) greater access by victims to effective remedy, both judicial and non-judicial (Ruggie, 2013, p. xx). Importantly, by making a distinction between “duties to protect” and “responsibilities to respect”, it is made clear that companies are not expected to assume the role of the state to prevent human rights abuses that are committed by other parties (Nolan & Taylor, 2009).

In addition to the “Protect, Respect and Remedy” framework, a crucially important element of the UNGPs is formed by human rights due diligence, or preliminary human rights risk assessments: “In order to identify, prevent, mitigate, and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts [...]” (Ruggie, 2011a, p. 17). This requirement imposes onto companies the responsibility to be aware of, monitor and mitigate human rights impacts of their business activities. John Ruggie, the creator of the “Protect, Respect and Remedy” framework and the UNGPs, describes human rights due diligence as “the ability of a business enterprise to *know and show* that it respects rights” (Ruggie, 2011b emphasis added). Therefore, the promise of human rights due diligence lies in the increased awareness and public accountability of companies concerning their human rights impacts (O’Brien & Boersma, 2016).

Indeed, due diligence lies at the centre of the corporate responsibility to respect human rights as conceptualised by the UNGPs (2013). The emphasis of the UNGPs on human rights due diligence denotes a distinctive precautionary turn in corporate approaches to (potential) human rights abuses such as the occurrence of child labour. Importantly, another implication of the UNGPs is that the responsibility of companies not to infringe on human rights does not stop at direct impacts, but extends to impacts linked to operations throughout the value chain (Ruggie, 2013). This explicit reference to responsibility beyond direct human rights impacts means that corporate responsibility also concerns the human rights impacts of suppliers.

#### **4.5 Changing Approaches to Child Labour and the Status of Child Labourers**

The literature shows the influence of multistakeholder partnerships and the UNGPs on CSR strategies in global supply chains, as well as on the human rights responsibilities of business. Research has however not explicitly addressed the influence of multistakeholder partnerships and the UNGPs on the strategies of companies and stakeholders to eradicate child labour in supply chains, nor does the literature discuss the effectiveness of these strategies. The practical contribution of this paper therefore revolves around identifying the contemporary approaches to child labour that are considered to be most effective, based on the views of CSOs that have worked with and campaigned against companies. It will be suggested that stakeholder partnerships and the UNGPs can be linked to companies taking a proactive and pluralistic approach to child labour, instead of approaching the issue on a reactive and paternalistic basis.

Stakeholder theory will be used to explain the consequences of these developments for the stakeholder attributes of child labourers and their status as corporate stakeholders. Stakeholder theory, which emphasises the role of morals and values in managing organisations

and explaining their actions (Freeman, 1984), is well suited to explain corporate approaches to child labour. According to Freeman, corporate stakeholders are those individuals or groups that benefit from or are harmed by corporate activities, and can thus include managers, employees, customers, suppliers, and broader communities in which companies operate (2001). In essence, stakeholders have a relationship with a company, whether that is based on employment, transaction or any other impact that the company may have that forms the basis on which individuals, groups or organisations make their stake known (Mitchell et al., 1997).

A common misconception of stakeholder theory is that companies should treat all stakeholder concerns equally (Phillips, Freeman, & Wicks, 2003). Instead, it is suggested that the prioritisation of (competing) interests is determined by *power* (which has a coercive, utilitarian or a normative basis), *legitimacy* (individual, organisational or societal), and *urgency* (time sensitivity or criticality to stakeholder) (R. Mitchell et al., 1997). This distinction leads Mitchell and co-authors to brand stakeholders as *non-stakeholders* when no attributes are present, *latent* where the corporation only perceives one attribute to be present, *expectant* in cases where two attributes are present, and *definitive* in cases where all three stakeholder attributes are perceived to be present (Mitchell et al., 1997). They categorise different stakeholder groups based on the combination of these attributes, as can be seen in table 1.

Based on Leeson's three-pronged model of corporate approaches to human rights abuses, and Mitchell and co-authors' stakeholder classification model, individuals can be regarded as non-stakeholders in those instances where companies are ignorant or indifferent to human rights violations (Leeson, 2000). Traditionally, in those instances where companies do recognise the stakeholder status of certain individuals and groups, stakeholders have been subject to discretionary CSR or philanthropy (Carroll, 1979, 1991), which means that CSR occurred at the discretion of corporate managers. Following the model by Mitchell and co-authors shown in table 1, in such cases individuals or groups are recognised as latent stakeholders whose interests are based on legitimacy, which is granted at the discretion of management (Carroll, 1979, 1991).

However, the literature suggests that such approaches are becoming increasingly outdated, as the consideration of exploited children as the central stakeholder in efforts to address child labour is critical in order to ensure approaches are context appropriate, sustainable and child centred (Woodhead, 1999). The UNGPs also make suggestions about the ways in which corporations should approach stakeholders and their interests. For example, Guiding Principle 24 states that: "Where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and

mitigate those that are most severe or where delayed response would make them irremediable” (United Nations Human Rights Office of the High Commissioner, 2011).

Summarising, the rise of business partnerships with CSOs has made collaborative approaches to child labour more common; the increase of human rights due diligence is indicative of a precautionary turn in corporate approaches to (potential) human rights abuses; while the UNGPs suggest ways in which companies ought to prioritise stakeholders and their interests. Consequently, there are grounds to believe that traditional corporate approaches to CSR and stakeholders, and therefore to child labour and child labourers as stakeholders, are fundamentally changing.

Power	Legitimacy	Urgency	Stakeholder Type
√			Dormant
	√		Discretionary
		√	Demanding
√	√		Dominant
√		√	Dangerous
	√	√	Dependent
√	√	√	Definitive

No attributes: Non-stakeholder  
 One attribute: Latent stakeholder  
 Two attributes: Expectant stakeholder  
 Three attributes: Definitive stakeholder

*Table 1: Stakeholder Typology (adapted from Mitchell, Agle, & Wood, 1997)*

#### 4.6 Methodology and Findings

Data was gathered as part of a research project by Catalyst Australia, a progressive think tank (Boersma et al., 2014). Interview questions were developed to gather the views of CSOs and companies about their approaches to and experiences with child labour. Potential respondents were approached through networking efforts. The response rate varied: national unions and peak bodies, global union federations, faith-based organisations and NGOs participated enthusiastically. These participants had either directly engaged in child labour campaigns or their organisation had been involved in such campaigns. Participants either directly engaged in child labour campaigns or their organisation had been involved in such campaigns. Examples of focus areas of campaigns are the cacao industry in Africa, the rug industry in South Asia, hazelnut production in Turkey, and leather stitching and textile production in Southeast Asia.

Corporate responses to interview requests were disappointing: only one company provided insights on a confidential basis. The comments made by the company respondent are

excluded from the analysis, based on the low corporate response rate. Excluding the corporate respondent, 14 interviews were conducted, which is an appropriate sample size for an exploratory qualitative study using interviews (Silverman, 2013). The interviews lasted between an hour and an hour and a half and were conducted on a semi-structured basis. They explored four topic areas: understanding the organisations' role in relation to child labour, describing the context in which child labour occurs, what approaches to child labour are and are not working, and what guidance is available to organisations and what is missing.

The interviews were analysed in NVivo and coded following three procedures: *data reduction* (reducing and organising data), *data display* (visualising data patterns) and *verification* (developing conclusions)(Miles & Huberman, 1994). Interviews were coded until a degree of saturation of the data was reached. The data reduction stage consisted of *open coding* (assigning each statement with a code), *axial coding* (ensuring the exclusivity of coding categories), *analysis* (searching for patterns in codes) and *selective coding* (searching for raw data that illustrates the analysis) (Miles & Huberman, 1994). By ordering codes into higher order themes, the analysis uncovered the general dimension of the interview statements, as is illustrated in Table 2.

The following sections describe the themes that emerged while coding the interviews and offer a concise summary using illustrative quotes. Respondents from CSOs participated on the basis that their names and organisations would be listed in the original research report, but that quotes would not be ascribed to them. The responses have been assigned in-text numbers in order to demonstrate the breadth of responses, while the frequency column in Table 2 shows the number of times the higher order themes were touched upon across the sample. The following sections will discuss the limits of corporate self-regulation and auditing, the influence of the UNGPs and similar authoritative frameworks, taking a holistic and preventative approach, remediation of child labour, and the promises and challenges of multi-stakeholder initiatives. Following these summaries, the findings will be discussed in the light of the literature and theory.

#### *4.6.1 Limits of Corporate Self-Regulation and Auditing*

A common critique on corporate self-regulation concerning child labour, for example through codes of conduct and supply chain auditing, is that these are often unaccompanied by action, and lack teeth resulting from their non-legal nature: [#6] “What [companies] often now do is have statements on their website or they'll have a mission [but] what you need to have are enforceable labour standards in all countries”. Another illustration of the shortfalls of self-regulation is the fact that companies cannot rely on strong institutional settings and enforcement

in certain jurisdictions: [#7] “Sometimes it is the case that the domestic [child labour] laws have not actually been enabled. In other cases, the laws are on the books but there's no compliance and no enforcement.” Consequently, for corporate policies to be meaningful and have practical value, companies need to take local legal settings into account.

Furthermore, the auditing of supply chains is regarded as largely symbolic, ineffective, and subject to manipulation. The respondents stated that the responsibility for monitoring supply chains is something that [#6] “most companies [...] don't take seriously”. Companies were described as engaging in modest rather than stringent efforts: [#7] “Retailers have not put any effort into assuring their supply chain or they have engaged in make believe practices.” It was pointed out that the concept of tiers is outdated: [#3] “I don't think tier has any meaning anymore [...] a lot of businesses and codes of conduct, multistakeholder and business associations that deal with it still talk of tiers as if it were important and that tiers limit your responsibility. So, you can limit your responsibility to the first tier or the second tier or something like that.”

Respondents described existing supply chain monitoring systems as being good at picking up minor transgressions but falling short in dealing with criminal intent: [#5] “catching the worst offenders is the hardest.” Stakeholder collaboration is seen as a key element of supply chain auditing, as CSOs do not consider auditing to be credible [#2] “as long as there's no worker participation [and] no say of the workers – or the communities” or in those instances where [#6] “a company is monitoring its own supply chain, or it's paying a private firm to audit and monitor it, that is open to exploitation.”

In addition to codes of conduct that do not consider contextual specifics and supply chain auditing without stakeholder participation, other self-regulatory efforts that are considered to be ineffective include corporate donations to charities or support programs for children, without addressing the negative impact of their own business activities and those of their suppliers: [#3] “There was the idea that [when you engage in] child labour in this area, we will give money to an NGO that deals with child labour or we will build a school in the same area that we are resourcing these goods from [...] it's not a question of philanthropy. It's question of addressing things that are - that you cause, contribute to or that can be linked to you.”

The increased emphasis on local legal frameworks in considering the effectiveness of child labour codes of conduct reflects the interplay between the first pillar (the state duty to protect) and the second pillar (the corporate responsibility to respect) of the “Protect, Respect and Remedy” framework. In addition, the observation that supply chain tiers are not meaningful anymore is linked to the view promoted by the UNGPs that the corporate responsibility for human rights does not stop at direct impacts. The move away from conventional approaches to



child labour is also shown by the expectation that companies address the human rights impacts of their actual activities, instead of relying on general philanthropic activities. Finally, the growing influence of multi-stakeholder partnerships is apparent in respondents expressing doubts about companies auditing their supply chains without involving workers.

<b>Interview Quotes</b>	<b>Higher Order Themes</b>	<b>Frequency</b>	<b>General Dimension</b>
[#2] There may be some auditing, or social auditing which we don't find very credible as long as there's no worker participation	Limits of Corporate Self-Regulation	12	Developing Proactive and Pluralistic Strategies
[#10] We have always said that to address these issues, it's [...] going to take civil society, governments and also individuals to play an active role in that.	Stakeholder Collaboration	14	
[#7] child labour is a bad thing full stop [...] is a 16-year-old working as apprentice a good or a bad thing? Well, it very much depends on the industry and the conditions and how they're treated	Contextual Approach	8	
[#8] I have no problem in naming and shaming companies if that's the last resort.	Reputational Damage	8	
[#1] The OECD guidelines for example can clearly articulate what the responsibility is for companies around ILO standards	Authoritative Frameworks	11	
[#8] while child labour needs to be tackled in its own right, if you've got child labour issues in a supply chain you've almost certainly got other labour rights issues.	Holistic Approach	11	
[#14] we're working [...] to make a transformative change, rather than just rescue individual children	Remedial Practices	9	
[#8] if you are working in a country where child labour is endemic, don't wait until something happens.	Due Diligence	10	

*Table 2: Coding Framework*

#### *4.6.2 The Influence of the Authoritative Frameworks*

The respondents are critical of conventional CSR strategies and self-regulation, particularly when these initiatives are meant to substitute legislative approaches to child labour otherwise enforced by the state. The reason for this shortfall is that CSR is traditionally viewed as [#12] “a concept whereby businesses would make contributions above and beyond the law [...] for that reason, [CSR] did not have much support by trade unions who saw it largely as a public relations thing or as an opportunity to say, well, we're going to do good, so don't regulate us.” The respondents noted that CSR strategies and self-regulatory approaches to child labour can obtain credibility by being anchored in internationally agreed upon multilateral frameworks. The UNGPs were mentioned, as were the ILO Child Labour Conventions, and the OECD Guidelines for Multinational Enterprises. Regarding the UNGPs, it was noted that: [#3] “in CSR there was traditionally a big emphasis on the positive impacts and the good that business could do. The [UNGP]s are about the adverse impacts on human rights that business do. That was a big shift.”

The existence of authoritative international frameworks is no guarantee for success however, as conventional corporate approaches to child labour still continue: [#11] “A lot of the codes of conduct had the fundamental [ILO] principles and rights at work in them, so they had child labour in them, but they [...] mainly involved social auditing of workplaces and factories and that sort of thing. I don't think that this activity, which I think continues, really was changed very much and it still goes on.” Despite these criticisms, respondents do view corporate self-regulation as a potentially useful tool [#7] “where the government is manifestly incapable or unwilling to act.” In these situations, self-regulation may provide pathways towards mandatory measures, particularly when non-mandatory standards reach a certain degree of penetration in the sector: [#7] “industry will actually usually agree to [mandatory measures] after the voluntary standards reach a certain degree of penetration”. Nevertheless, the existence of appropriate laws and the enforcement by the state is regarded as the critical backbone of any effective approach to child labour: [#3] “I think there are two things that need to be done when tackling these kinds of issues: one is regulation and the other one is implementation of regulation in companies.”

Codes of conduct, policies, and standards, at the company or industry level, should thus first and foremost be seen as a management tool: [#2] “It's for governments and for the international community to set out the rules and it's within that framework that a tool for a specific company can be developed, but that's the responsibility of management, for their own internal procedures.” Put differently, the coordination effort should be coming from states. Although voluntary mechanisms can potentially serve as an alternative in the absence of mandatory regulation, and they can provide a pathway towards mandatory measures,

ambivalence among respondents towards self-regulation remains: [#6] “I don't think that voluntary schemes that aren't underpinned by law ultimately work.”

The previous paragraphs again illustrate the importance of the interplay between the first and second pillars of the “Protect, Respect and Remedy” framework. For corporate self-regulation to be seen as credible by CSOs, it needs to be anchored in authoritative frameworks, but ultimately corporate approaches need to be linked to national laws enforced by the state. A direct example of the influence of the UNGPs can be seen in re-evaluating philanthropic efforts by companies, which cannot be used to offset a failure to resolve child labour and other human rights abuses. While businesses can undertake philanthropic activities, they must first and foremost address the human rights impacts of their own operations and those of suppliers.

#### *4.6.3 Taking a Holistic and Contextual Approach*

The importance of a holistic approach in efforts to end child labour was expressly mentioned by respondents: [#8] “if you've got child labour issues in a supply chain you've almost certainly got other labour rights issues. So, it's in some respects it's a leading indicator of a supply chain that's probably unhealthy from a labour rights perspective.” The importance of freedom of association was most commonly mentioned: [#1] “you don't tend to find child labour in properly unionised factories, because the unions wouldn't stand for it.”

Factors like poverty were also mentioned: [#9] “kids of farm workers will work because they need to supplement the family income [...] we really have to improve conditions for adult workers - improve pay; improve health and safety so that the farm workers don't need to send their kids to work as well.” The impacts of the increase of precarious labour and use of outsourcing were also deemed influential, [#11] “the farmer uses a labour broker to bring in workers to harvest the crop and it's now one step removed. [...] one of the things that is quite common in agriculture is that a worker is given a task to harvest so much or to weed a certain acreage of land or whatever that is too big for them, so they bring in their kids to help.”

Importantly, while child labour needs to be approached through the lens of broader labour and human rights, approaches to child labour must [#10] “be industry specific ... what's needed is not another prescriptive reporting requirement that's one size fits all”. The reason for this is that companies are learning about their own supply chains, which are constantly changing, as are the potential social impacts: [#8] “Whether it's child labour or living wage or whatever ... What are you doing? How are you breaking your frontiers? What are you learning and how are you sharing that and what are you doing to tackle issues when you see them?”

Another respondent added: [#4] “we look very holistically at the issues and in different contexts ... preventative programs through livelihood developments and providing education

opportunities and things like that. Also, that protectiveness to reduce the risk of vulnerable children being engaged in exploitative labour practices”. Overall, companies were described as increasingly, yet modestly, aware of their social impact. Yet, the production in global supply chains does present major challenges: [#10] “companies who operate internationally, directly, I think the standard will be quite high ... when we are talking about supply chains and subcontractors, that is where you get into the issue of having a very unclear relationship with what the standards are in other countries and what is acceptable and what is not”.

The view that child labour should be approached in the broader context of labour and human rights can be linked to the growing influence of the human rights agenda. In a seemingly contrasting fashion, respondents argue that approaches to child labour must simultaneously also be context-specific, as the conditions that lead to child labour in supply chains are multifaceted and subject to change. The latter observation can be viewed in the context of the “know and show” requirement of the UNGPs, which requires companies to be proactively aware of (potential) instances of human rights abuses such as child labour, although respondents cautioned that the intricacies of global supply chains can easily obscure the bad practices of suppliers.

#### *4.6.4 Focusing on Prevention and Remediation*

While the respondents anticipated that the UNGPs can help to inform more effective approaches to child labour, the concept of human rights due diligence in particular was seen as having the greatest influence, as it puts companies in the position where they have to proactively ask themselves what an appropriate approach would look like: [#8] “if you are sourcing stitched leather goods from Southeast Asia, where child labour is prevalent and it’s prevalent in the region and it’s also prevalent in the activity, then it would seem to me that that due diligence would have to be fairly extraordinary. It would have to be pretty intense in order to deal with the problem with child labour”.

Respondents describe different company responses to child labour in their supply chain: cutting ties with businesses, or engaging with businesses or suppliers to lift their game. When taking the cutting-and-running approach, companies lose the chance to act as an emancipatory force: [#13] “The worst approach on child labour is you find it and you just simply shut down all your contractors and you do nothing to try and repair the situation. That's bad practice, particularly if you then move on and you recklessly engage another supplier, where again you don't bother checking.” As such an appropriate response is not simply about shutting down the operations using child labour, but [#12] “it's actually about taking a remedial approach to ensure that the best interest of the child is actually taken into account.” At some point, companies are

described as having no other option than to terminate relations in instances where suppliers have not improved their performance: [#8] “having done all these things, having involved people, we think this isn't a relationship that we can live with and doesn't abide by our ethical code and that sometimes has to happen.”

According to respondents, in choosing the path of remediation, companies should draw on guidance from local and global trade unions and NGOs. Examples of remediation were given: [#8] “[the company] talked us through what they were planning to do and the approach they were taking to make sure it was in line with best practice, we gave them a few guidance points of what they might do and how they might execute that”. Another example is that of a company changing subcontracting practices, which was [#1] “where the problem had crept in”. Independent third-party certification of rugs was mentioned as a successful example of a partnership approach: [#5] “retailers and the middlemen have to pay a fee. With that money ... they do inspections. They have built their own schools. So, children who are working in the rug industry ended up being funded to be able to go to into school, they weren't just dumped out of the industry and left vulnerable to being exploited in another industry”.

These statements suggest that the increased uptake of human rights due diligence has resulted in a shift towards proactive strategies in combating child labour in global supply chains, a development which can be linked to the influence of the UNGPs. In addition, there is a greater emphasis on remediation of child labour instead of cutting-and-running, a trend consistent with the third pillar (greater access by victims to effective remedy, judicial and non-judicial) of the “Protect, Respect and Remedy” framework. The influence of multi-stakeholder partnerships is noticeable in the emphasis on pluralistic approaches, characterised by an increase in stakeholder consultation in formulating due diligence as well as remediation strategies.

#### *4.6.5 The Role of Civil Society Organisations*

In instances where companies are not responding to stakeholder concerns about child labour, and the legal environment does not provide avenues to address concerns, CSOs have to resort to alternative methods to combat child labour. Frequently recurring strategies are reputational damage campaigns, which are most effective in targeting larger companies and brands: [#13] “I think reputational damage is more significant for companies that produce consumer goods”. Indeed, the company representative that was interviewed regarded such exposure as a key factor in getting companies to act, particularly in circumstances where a company may be ignoring an issue or is not taking appropriate steps to eliminate child labour in its operations or supply chain. Civil society respondents confirm this view: [#4] “[the company] initially did not

want to meet with union representatives, until there were too many protests from children and schools and it became an issue in the media”.

Yet reputational damage campaigns do not work for all companies: [#5] “their attitude is we’re too small for anyone to actually come after us for reputational damage and we don’t have many resources, so we don’t have to worry about this. ... If I talk to a journalist – if I name a small brand that doesn’t have much public exposure, they’re not very interested at all”. Apart from publicly criticising companies, CSOs also address child labour through direct engagement: [#5] “We approached schools and child labourers to present projects and activities on how to achieve child labour free zones in their regions. They identified products that involve child labour and approached companies which they knew used child labour”. The children engaged companies by flooding them with letters and drawings, after which the company contacted the schools and the CSO to address the issue. Empowerment and mobilisation of school children is a recurring theme and key element in the prevention and remediation of child labour: [#4] “the issue is to get the children out of work into the school, and therefore our partners convince the parents that they should no longer send their child to work”.

Interview respondents also noted caveats concerning activities of CSOs regarding child labour, most notably concerning funding models. It was argued that, unlike national and international trade unions, some NGOs are dependent on donations from business to carry out their work. The danger in such a funding model lies in giving donors a pass because they [#3] “are very dependent upon donations from business enterprises to carry out their work with children [and] give passes to companies that give them money and they don’t talk about it in the need of these companies to actually address the impacts of their own activities”.

The interviews show that despite the increase in collaborative approaches to child labour, and the increasing prominence of the human rights agenda, there are situations in which CSOs and other stakeholders raising concerns about child labour are ignored by companies or are treated with indifference. In those instances, CSOs can revert to reputational damage campaigns to get the attention of companies, and ensure that they address the issues that have been flagged. However, notable shortfalls of this approach are the relative immunity to reputational damage of smaller brands and companies that do not produce consumer goods, while receiving corporate donations can cause conflicts of interest and undermine the independence of NGOs.

#### *4.6.6 The Benefits of Multistakeholder Collaboration*

Collaboration between stakeholders was a stand-out theme in the interviews: [#8] “invariably one company can do very little – so this is about business teaming up”. These partnerships can

involve [#4] “companies, trade union representatives, NGOs and then local affiliates or representatives of them and ... government”. Multi-stakeholder collaboration provides [#11] “an opportunity for civil society in the relationship they have with businesses, in engaging with companies, influencing them, make them aware”. This approach is valuable because companies do not always understand labour and human rights, and [#8] “certainly don’t understand child rights, or child labour and there is a need to campaign against them and I think that [is] sometimes absolutely the right way. There’s also a need to sometimes hold their hand and say ... this is difficult, and we understand your concerns and we’ll go on this journey with you to harness, if you like, the company’s ability to improve a situation”.

In order to enable collaboration, it is important for companies to be open about any concerns they might have: [#8] “if there are young workers there that they think might either be under the working age or young and working conditions that might be considered child labour, talk to us. ... It’s a high-risk issue for the individual and it’s a high risk for the brand, so therefore, if you see any information which suggests there may be a problem, then work with people who have that level of expertise”. An example of collaboration between stakeholders involved the ILO convening and facilitating meetings between buyers and suppliers. This allowed suppliers to explain to buyers how demands for low cost goods can turn suppliers towards exploitative labour: [#5] “You expect the products so cheap, but then you want all these labour standards complied with. We’re happy to comply with your labour standards, but we can’t deliver to the price you want it, if you actually want us to pay our workers a decent wage and abide by these labour conditions”.

Another respondent described how they hooked a company up with “a local organisation that we knew was competent on child labour so they could do the investigation”. The role of government in multi-stakeholder approaches is also considered important: [#1] “through all of this our local partner made sure the local authorities were informed, because they actually have the duty and obligation to tackle the issue”. Moreover, multi-stakeholder collaboration should aim to make universal improvements to the lives of children: [#14] “we’re working with stakeholders to make a transformative change, rather than just rescue individual children”.

#### *4.6.7 The Challenges of Multistakeholder Collaboration*

Barriers to multi-stakeholder collaboration were also mentioned. Partnerships were regarded as [#12] “kind of ad hoc ... we have always said that to address these issues, it needs to be very much a holistic approach that’s going to take civil society, governments and also individuals to play an active role”. CSOs are sceptical about companies trying to remedy child labour in isolation, while stressing that worker participation, mechanisms for industrial relations, and



reliance on existing expertise are vital: [#5] “Unless you’re [working with] trade unions and you’ve talked to the workers away from the management, everything else is a waste of time”.

Apart from collaboration between diverse stakeholders, companies also engage in industry-led initiatives. Interviewees expressed doubts about the effectiveness of addressing child labour through such mechanisms. Specifically, the closed nature of industry-led initiatives is seen as a downside: [#2] “Our experiences with any of these initiatives are very disappointing and have been across the board. ... As long as it’s a child labour closed circuit, self-regulating system and an exchange of best practices only but not on measures taken to act upon any identified risk, it is not necessarily something that we want to invest our time in”.

While industry-led initiatives occasionally include stakeholder consultation, they are often used as a competitive tool [#7] “enabling the majority of players in the industry to be certified, knocking out the worst performers [by] setting modest standards to which most of the industry can qualify”. Because of the lack of involvement of CSOs, such initiatives are perceived to be [#7] “more about industry window dressing rather than anything of real substance”. While respondents were generally positive about multi-stakeholder collaboration, they also saw a point at which an assessment needed to be made about whether companies were genuine in their efforts. As such, it can be seen multi-stakeholder collaboration in itself is not considered to be a silver bullet. Specifically concerning the cocoa industry in West Africa, it was also mentioned that although there is a degree of cooperation, [#3] “no one is putting in the amount of resources that will change things”.

Overall the respondents argued that, instead of establishing partnerships for the sake of it, contextual elements need to be considered, such as the specifics of industries, communities, legislative frameworks, geographical regions, and the interests of stakeholders: [#8] “Effective stakeholder approaches involve looking at the individual supply chain, the context, the government and decide if this is an endemic issue, is there something we can do?” Only in this way can partnerships be productive, and can sufficient leverage be created to effectively deal with child labour.

The respondents’ views highlight several benefits and challenges of multi-stakeholder collaboration. The growing role of business partnerships with CSOs in approaches to child labour can be linked to the influence of the UNGPs, as partnerships and pluralism are considered to be of vital importance in order to overcome the opacity of global supply chains. The increased sharing of information and experiences between companies and their stakeholders can be associated with the “know and show” requirement of the UNGPs. Finally, the interviews show that local government involvement is considered as a key element in collaborative approaches,

a finding which echoes the interplay between the first and second pillars of the “Protect, Respect and Remedy” framework.

#### **4.7 Discussion: Changing Approaches to Child Labour in Global Supply Chains**

Against the backdrop of the growing influence of multi-stakeholder partnerships and the UNGPs on corporate responsibility in global supply chains, the objectives of this research are twofold: practically, the research identifies the contemporary approaches to child labour that CSOs consider to be most effective, while it describes how companies are increasingly addressing child labour on a proactive and pluralistic basis by moving away from reactive and paternalistic approaches; theoretically, it explains how these developments influence the stakeholder attributes of child labourers and change their stakeholder status.

The existing literature shows that corporate self-regulation, in the form of codes of conduct and supplier auditing, has traditionally played a key role in approaches of companies to child labour, while CSOs have mostly relied on reputational damage campaigns to effectuate their demands. Yet, the literature also suggests that factors such as the increased fragmentation of production through subcontracting in global supply chains, the rise of multi-stakeholder initiatives, and the increasing importance of the human rights agenda – most prominently through the development of the UNGPs – are changing conventional approaches to child labour.

The interview findings demonstrate the changing views on effective approaches to child labour. It is shown that respondents are only moderately optimistic about corporate self-regulation concerning child labour, and only regard this practice as useful in the complete absence of government regulation and enforcement. However, corporate self-regulation can gain credibility when it is context-specific and efficiently implemented, while supply-chain auditing can be effective if it involves worker participation. While the interviews echo the literature by confirming that self-regulation increasingly works as a substitute for the protection of workers’ rights in the absence of state-based regulation and enforcement, respondents stress that self-regulation is mainly useful as a management tool, which in order to gain legitimacy and achieve outcomes ultimately needs to be anchored in legal frameworks.

When companies encounter child labour, instead of severing ties with suppliers, there is a need for remediation and future prevention through holistic and context-specific strategies. These approaches include promoting decent and secure labour, increasing family income, and facilitating school attendance. The interview findings show that child labour is less pronounced in jurisdictions where workers are allowed to organise freely and where there are representative trade unions. To be clear, the interviews show that child labour is more likely to occur in areas

where organised labour is suppressed. As such, any company that is serious about dealing with child labour must therefore be serious about enforcing broader labour and human rights.

The interviews suggest a connection between the UNGPs, in particular the concepts of due diligence and remediation, and the shift away from code of conduct and auditing approaches towards human rights risk assessments and taking remedial action. This means that corporate approaches to child labour are taking a distinctive precautionary turn. Indeed, the interviews show that reactive approaches to child labour, decoupled from the actual impact of business activities, are regarded as bad practice: companies are expected to exercise due diligence in the form of preliminary human rights risk assessments and by proactively monitoring their social impacts. Furthermore, in line with the guidance set out by the UNGPs, the interviews show that business responsibility is not limited by tiers, meaning that companies must approach the risk of child labour in their own operations as well as throughout their entire supply chain.

The interview findings furthermore suggest that in exercising due diligence, and while detecting and remediating child labour, companies should actively seek out stakeholder insights that allow for pragmatic mapping of circumstances, to see which stakeholders they can work with, and what strategies best suit the geographical and industry contexts. It is argued that in the cases where companies do not actively seek out stakeholder insights, they run the risk of being targeted in reputational damage campaigns by CSOs. In adopting collaborative and pluralistic strategies and building on existing stakeholder expertise, companies can play a transformative role in the sectors and regions in which where they operate.

The traditional code of conduct and tier-based auditing approach to child labour in supply chains meant that companies adopted a reactive and paternalistic attitude towards stakeholders raising child labour concerns: without relying on stakeholder consultation, codes of conduct and auditing were meant to address the exploitation of children, yet child labour in supply chains was not an issue for companies until it was actually encountered. Considering the typology of Mitchell and co-author (1997), shown in Table 1, this shows that child labourers were considered as non-stakeholders by companies until child labour was discovered. In instances that companies did discover child labour, companies regarded child labourers as latent stakeholders, meaning that their only stakeholder attribute – legitimacy – was granted at the discretion of corporate managers. This means that child labourers, as corporate stakeholders, have traditionally been subject to discretionary CSR (Carroll, 1979, 1991)

While the code of conduct and auditing approach by companies is increasingly considered to be ineffective, the influence of partnerships with civil society equally presents challenges, such as the tensions between activism and partnerships and the struggle of

stakeholder to influence CSR agendas and strategies. Preuss and co-authors contend that companies want to ensure that they keep their first-mover advantage in setting the CSR agenda, while preventing other stakeholders from doing so, while CSOs will simultaneously attempt to actively shape the CSR agenda and avoid losing influence (Preuss et al., 2009). However, the UNGPs may be able to ameliorate these tensions: the shift away from reactive approaches and the increased emphasis on due diligence does not only allow for companies to keep the first-mover advantage in determining its CSR strategies, it *requires* them to be first-movers. In addition, following the increasing importance of partnerships and pluralism, rather than using their first-mover advantage as a way to exclude stakeholders, companies should actively *include* stakeholders in order to approach child labour in supply chains as effectively as possible, allowing CSOs to flag issues and contribute items to CSR agendas.

Put differently, the shift from code of conduct and auditing approaches towards due diligence, remediation and multistakeholder collaboration can be characterised as a shift from reactive and paternalistic tendencies of companies towards proactive and pluralistic strategies in approaching child labour. Considering the typology of Mitchell and co-authors (1997), this means that the claims of child labourers gain urgency as a stakeholder attribute, marking a transition from being a discretionary and latent stakeholder towards becoming a dependent and expectant stakeholder. The lack of power as a stakeholder attribute means that child labourers nevertheless continue depend on the companies itself, or other stakeholders, to lend them a voice and effectuate demands. This is where CSOs are shown to play an important role.

The interviews demonstrate that CSOs can use both collaborative strategies and reputational damage campaigns to make companies meet their demands and those of child labourers. In line with the typology of Mitchell and co-authors, this means that power can have a normative basis in companies acknowledging the importance of these demands and choosing to collaborate with stakeholders, while power can also have a coercive basis in companies initially denying the importance of claims and provoking a response from CSOs that can harm the reputation of the company. While both strategies have the potential to grant stakeholders power, it does not permanently elevate child labourers to the category of definitive stakeholders; they remain dependant on the efforts of CSOs to give force to their claims. Ultimately, the existence of child labourers as a permanent and definitive corporate stakeholder group is paradoxical, as the efforts of companies, CSO and governments ought to eradicate child labour in global supply chains altogether.

#### **4.8 Conclusion and Further Research**

This research finds that effective approaches to child labour in global supply chains are characterised by companies engaging with a broad range of stakeholders, taking a contextual and holistic approach by considering local circumstances and broader human rights, and by focusing on prevention and remediation. By shifting from code of conduct and auditing based approaches towards stakeholder collaboration and due diligence, companies are moving away from reactive and paternalistic approaches to child labour and instead increasingly adopt proactive and pluralistic strategies. The influence of the UNGPs has the potential to ameliorate some the tensions in multi-stakeholder partnerships by requiring companies to be first movers and using this advantage to include stakeholders rather than exclude them in developing CSR strategies. While these developments can help to elevate child labourers from latent and discretionary stakeholders to expectant and dependent stakeholders, they continue to rely on CSOs to add weight to their claims.

The empirical basis of this study can be expanded by focusing on the perspectives of groups other than CSOs, such as companies, governments, suppliers, and the communities affected by child labour. In addition, further research could explore the effects of multi-stakeholder collaboration and the UNGPs on approaches to child labour by narrowing the focus to a specific industry or region. Alternatively, the inquiry can be broadened, for example by examining the interplay of the UNGPs with national laws such as the Modern Slavery Act in the UK, which have a human rights focus and are characterised by extraterritorial reach, and can therefore give legal force to the human right duties of companies where local legal systems fall short. Broadening the inquiry could help to ascertain whether the trends identified in this study are also observed in relation to other human rights issues, for example by exploring whether corporate approaches to modern slavery are increasingly associated with the adoption of proactive and pluralistic strategies and result in changes to the stakeholder status of exploited groups and individuals. Finally, while stakeholder theory can explain the influence of multi-stakeholder partnerships on approaches to child labour, and the findings suggest that the UNGPs can be associated with a move away from reactive and paternalistic corporate approaches towards proactive and pluralistic stakeholder strategies, the specific influence of the UNGPs on approaches to child labour could be further clarified by looking at the issue through a different lens, for example by applying an institutional theory perspective.

Where the traditional naming and shaming approaches by CSOs were aimed at threatening the legitimacy of companies, and as such tried to establish changes to corporate conduct through reputational damage campaigns, multistakeholder initiatives aim to effectuate changes through collaboration and partnerships rather than through adversarial approaches.

Considering legitimacy, the focus therefore shifts from organisational legitimacy towards the legitimacy of these multistakeholder initiatives. The fact that CSOs collaborate with companies in these initiatives markedly pacifies the otherwise adversarial relationship, especially in cases where CSOs that initially exposed corporate misconduct are also part of the multistakeholder initiative. However, that does not mean that these initiatives lack tensions and challenges. The potential and the limitations of multistakeholder initiatives will be discussed in the next chapter. In the extended analysis presented in chapter six, I argue that many of the tensions in multistakeholder initiatives are reflective of the broader contestation of the CSR paradigm.

## **Chapter 5: The Promises and Pitfalls of Multistakeholder Initiatives**

A decade of issues at Apple's suppliers reveals the shortfalls of the code of conduct and auditing-based approach in addressing supply chain abuses. The large scale of Apple's response is indisputable. Yet the analysis of the institutional and stakeholder dynamics shows that abuses in its supply chain nevertheless continue as before. Apple meanwhile successfully manages its organisational legitimacy. The growing role of the UNGPs and multistakeholder initiatives reveals ways in which the CSR paradigm is being contested. The UNGPs emphasise a proactive corporate approach to (potential) issues and try to overcome the dichotomy between voluntarism and legalistic approaches. At the same time, CSOs are increasingly moving away from traditional naming-and-shaming approaches towards collaborative practices.

The journal article at the centre of chapter five examines how corporate stakeholders judge the legitimacy of multistakeholder initiatives. The chapter will show that organisational legitimacy is not just a status that can be questioned or granted by stakeholders. Legitimacy is also applicable to the norms and processes underlying multistakeholder initiatives, which form their input legitimacy. The effectiveness and outcomes of multistakeholder initiatives form their output legitimacy. The Apple case study shows that threats to organisational legitimacy do not always result in repercussions for the company at the centre of controversy. The reason for this is that the market mechanisms used in this process fail to balance social, environmental, and financial issues. As a corporate response, CSR neutralises threats, without necessarily addressing stakeholders concerns. This chapter will show that collaborative approaches are not without difficulties either.

This chapter analyses the challenges of multistakeholder initiatives, based on interviews with CSOs. It finds that tensions exist between the normative-ethical and political-strategic dimensions of multistakeholder initiatives. These tensions manifest in various ways. For example in the contextual application of international and national norms. Similarly, they manifest in debates around definitions of child labour, risk and corporate responsibility. Tensions also arise around company incentives to join multistakeholder initiatives. Finally, there are tensions concerning the effectiveness of auditing, enabling broader labour rights as a means to remediate child labour, and whether standards need to be mandatory or voluntary. I argue that the success of collaboration depends on the effective navigation of these tensions. Failure to do so can undermine the legitimacy of multistakeholder initiatives.

**Article: “Between Norms and Practice: Civil Society Perspectives on the Legitimacy of Multistakeholder Initiatives to Eliminate Child Labour”**

It is estimated that one in ten children worldwide are child labourers. Child labour has different levels of severity, it is found in the formal and informal economy, inside and outside domestic settings, it occurs with and without payment, while occurrence varies across sectors and regions (International Labour Office, 2013). Factors such as age and the effect of labour on the well-being of children are used as proxies to determine severity, and are embedded in ILO conventions 138 (minimum age) and 182 (worst forms of child labour). While there is no conclusive evidence that the growth of global trade has caused an increase in child labour (Cigno et al., 2002), expansion of global supply chains does have the capacity to implicate multinational corporations (MNCs) in the use of child labour (Clarke & Boersma, 2017).

While there is no lack of objections to child labour, there is more to addressing the issue than abolitionism (White, 1994). The protection of children, their development, and the economic impacts of child labour are marked as areas of concern (Anker, 2000). Anker argues that hazardous forms of child labour are negative for all three concerns, while non-hazardous wage labour interfering with education has a negative impact on child development and the labour market, but not inevitably on child protection. Other forms of children working are potentially acceptable if non-hazardous labour adds to family income, it does not undermine the labour market, and there is no intrusion with education (2000). Related research suggests that child labour policies in subsistence economies should enable a combination of work and education rather than eliminate child labour altogether (Admassie, 2003). It can thus be said that the ethical dimensions of child labour are not shaped by a universal “hypernorm” (Kolk & Van Tulder, 2002a).

Supply chains are a key part of global production. The Organisation for Economic Co-operation and Development estimates that over half of the world’s manufactured imports are intermediate goods, which are used in the production of other goods (De Backer & Miroudot, 2012). The rise of global supply chains is accompanied by concerns about social sustainability, specifically concerning labour and human rights (International Labour Conference, 2016). A key challenge is formed by different norms across geographical and institutional settings. For example, while home countries and MNCs often have a zero-tolerance approach to child labour, host countries and suppliers may have less dismissive attitudes. These tensions are the result of the



absence of shared experience at the global level, the response to which is characterised by “the gradual rise of a multilateral institutional system of co-governance” (Castells, 2009a, p. xxx).

### **5.1 Multistakeholder Approaches to Remediate Child Labour**

Specifically concerning ethical business conduct, the UN Global Compact, the ILO Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are examples of multilateral co-governance. Yet, none of these initiatives are legally binding. Instead, they represent international standards that can be used as guidelines for the drafting and implementation of national laws, trade agreements, stock exchange governance codes, corporate policies, industry codes of conduct, and multistakeholder initiatives. Despite their voluntary character these standards are not necessarily “weak”, especially when enshrined in legally binding standards, as is the case with regulation for home-based workers in Australian textile and footwear supply chains (Nossar et al., 2015). These features have led to the term “soft law”, which is increasingly used as a means to achieve social change in corporate contexts (Klettner et al., 2013).

MNCs commonly approach child labour through self-regulation, specifically via corporate codes of conduct and (independently verified) social auditing practices, with or without drawing on international standards (Kolk & Van Tulder, 2002b; Van Tulder & Kolk, 2001). These forms of governance can be initiated by companies, but can also involve multiple non-business stakeholders (Fransen & Kolk, 2007; Fransen, 2012). Multistakeholder initiatives, also known as multistakeholderism, multistakeholder governance and multistakeholder dialogue, are forums that bring stakeholders together to engage in debate, decision-making, and implementation of strategies to resolve environmental or social issues (Utting, 2002). Multistakeholder initiatives take on different forms, such as business-nonprofit, business-government, government-nonprofit and trisector partnerships (Selsky, 2005). In this paper, multistakeholder initiatives shall be regarded as companies teaming up with civil society organisations (CSOs).

Multistakeholder initiatives can play a key role when individuals, groups, or issues at risk of falling into governance or enforcement gaps. In the case of child labour in global supply chains, this happens when international standards are not enforced locally, or when child labour occurs beyond the reach of national legislation, such as in the informal and dark economy (Kolk & Van Tulder, 2002b). Organised labour and other CSOs play an important role in instances where global governance gaps occur (Gallin, 2001). For example, worker representatives have been shown to

serve as key contact points for companies, CSOs and other stakeholders in creating a binding and global agreement covering social issues, human rights, working conditions and industrial relations (Preuss et al., 2006, 2009). CSOs can thus be seen as key actors in dealing with governance gaps and are ascribed an important role in global governance (Scholte, 2004; Teegen et al., 2004).

Nevertheless, multistakeholder initiatives are not entirely without challenges. While they can help to safeguard against and remediate social and environmental issues, they are not always regarded to be effective or legitimate (Bernstein & Cashore, 2007; Cashore, 2002). For example, multistakeholder initiatives may lack transparency, accountability, independence and might not include all relevant stakeholders (O'Rourke, 2003, 2006). Furthermore, stakeholders can have different expectations of these initiatives or focus on different areas. In their examination of the Ethical Trading Initiative, an alliance of companies, trade unions and voluntary organisations, Barrientos and Smith (2007) find that companies tend to concentrate on outcome standards (results of negotiations and access to worker entitlements) while civil society organisations emphasise process rights (principles enabling workers to claim their rights). Consequently, multistakeholder initiatives are subject to several tensions.

This study explores the tensions between the normative-ethical and political-strategic dimensions of multistakeholder approaches to child labour, specifically focusing on the ways in which these tensions can influence the perceived legitimacy of these initiatives from the perspective of civil society actors. Examining the tensions between normative-ethical and political-strategic dimensions of multistakeholder approaches to child labour is pertinent, as approaches to child labour cannot be informed by a universal hypernorm. As such, this research looks at the practical application of child labour norms, while simultaneously considering whether these processes and outcomes are considered to be legitimate by CSOs. The following section discusses the theoretical framework and focuses specifically on tensions between normativity and application in discourse ethics, as well as on the effects of these tensions on the legitimacy of multistakeholder initiatives. Using interviews, the subsequent sections then explore the specific areas in which these tensions emerge and discuss the implications for the input and output legitimacy of multistakeholder initiatives.

## **5.2 Discourse Ethics: Normativity, Application and Legitimacy**

Globalisation of business presents companies with various cross-cultural and transnational ethical dilemmas (Donaldson, 1996; Donaldson & Dunfee, 1999). Simply put, business practices that are

acceptable in some contexts might not be tolerated elsewhere. Global supply chains add a complicating factor, as production relationships become obscured as supply chains lengthen, involving various actors in different geographic and industry contexts. On the surface, these transnational ethical dilemmas appear to create a stand-off between moral universalism and moral relativism. This deadlock can be overcome through discourse ethics, which posits that ethics, morals and values are subject to discursive processes in which they can be legitimised or contested (Habermas, 1993). For Habermas, discursive processes are “embedded in the most basic capacities that we possess as persons capable of speaking, hearing, giving and accepting reasons for our actions” (2001, p. ix). As concerns around child labour are multi-scalar and cannot be reduced to a hypernorm or moral relativism, discourse ethics can be used to explain why some approaches to child labour are considered appropriate while others are not. Discourse ethics furthermore provides a suitable theoretical approach considering that multistakeholder dialogue plays a growing role in shaping business ethics (Wieland, 2014).

Discourse ethics provides a framework for ethical decision-making and the creation and testing of norms in the public sphere. For Habermas, discursive processes lie at the core of any claim to truth and normativity: “where disagreements arise concerning the truth of assertions or the rightness of norms, consensual interaction is disrupted and can be resumed only when [...] factual and normative claims are subjected to critical scrutiny in a process of argumentation freed from the imperatives of action” (Habermas, 1993, p. xiv). In “The Postnational Constellation” (2001), Habermas considers some of the challenges that globalisation poses for humanity, such as political and moral tensions and the status of human rights. He argues that “public, discursively structured processes of opinion- and will-formation make a reasonable political understanding possible, even among strangers” (Habermas, 2001, p. 73). Together with supranational organisations such as the United Nations and its specialised agencies such as the International Labour Organization, Habermas mentions CSOs like Greenpeace and Amnesty International as contributors to informal regulatory networks that focus on global governance (2001).

In order to legitimately generate or question norms, multistakeholder dialogue must meet a number of “idealising presuppositions”: (1) participants use linguistic expressions in the same way, (2) no argument is suppressed or excluded, (3) participants are motivated by a concern for the better argument, (4) no force but that of the better argument is exerted, (5) there is agreement on the universal validity of the claim being thematized, (6) everyone capable of communicating

and acting can participate and is entitled to introduce new topics, and (7) no validity claim is exempt from critical evaluation in argumentation (Cooke, 1997, pp. 32–33).

Forms of multistakeholder dialogue can only approximate these idealisations, which are labelled “discourses”, as it will be difficult to meet these conditions in practice. Habermas implies that presuppositions 1 to 4 manifest in all forms of argumentation, while presuppositions 5 to 7 are required in more demanding forms of debate (Cooke, 1997, pp. 32–33). As such, multistakeholder initiatives should not simply be seen as “discourse ethics in action”, but rather as models of cooperation that can provide the link between “ideal” discourse ethics and “actual” discursive processes with multiple stakeholders, as these initiatives “practically organize and politically institutionalize the democratically founded and hence justified right to participation of civil society” (Wieland, 2014, p. 79). Yet, the relation between ideal discourse and actual multistakeholder dialogue remains spurious. For example, what is the point of ideal discourse if the presuppositions are difficult to meet and can be superseded by actual dialogue? And is it worth meeting idealising presuppositions if the norms they generate can be overridden in practice? In an attempt to overcome this problem, Scherer and Palazzo (2007) propose a version of discourse ethics that highlights politics over ethics, and emphasises the practical application of discourse ethics instead of focusing on its normative elements.

### **5.3 A Politicised Version of Corporate Social Responsibility**

Scherer and Palazzo make a distinction between Habermas<sub>1</sub> (the normative ethical interpretation of discourse ethics) and Habermas<sub>2</sub> (the political and strategic version). Habermas<sub>2</sub> is characterised as “a deliberative process of opinion formation and will formation in civil society which is no longer subject centred, but in which the organizations of society could play a decisive role” (Wieland, 2014, p. 75). Habermas himself also recognises the need for a practical side of discourse ethics, which he calls application discourse, which considers “principles of appropriateness and the exhaustion of all relevant contextual features” (Habermas, 1993, p. 130). In another step towards pragmatism, while Habermas<sub>1</sub> emphasises reaching consensus, in Habermas<sub>2</sub> the outcome of debate can be compromise and might well entail disagreement on key issues. Put differently, the aim of Habermas<sub>2</sub> is to make incremental progress on the basis of deliberative democratic processes (Scherer & Palazzo, 2007).

However, the distinction between Habermas<sub>1</sub> and Habermas<sub>2</sub> is not clear-cut. Research has acknowledged this and posits that Habermas<sub>2</sub> implies the use of “application discourses as

flexibilized forms of normatively legitimated and controlled procedures, whereby the opening question of application discourses, namely what precisely should happen in regard to a problem area, remains undiscussed and open” (Wieland, 2014, p. 78). Put differently, normativity remains the inescapable starting point of any multistakeholder initiative. In addition, even if it is not the purpose of debate to reach moral consensus, but instead to create a political basis for cooperation, it is naive to assume that stakeholders will suspend their conceptions of desirable norms. Thus, while Habermas<sub>2</sub> might be pragmatic, it is not devoid of ideological views. If we accept this notion, it follows that application discourse might well influence stakeholder perceptions of norms, thus further blurring the distinction between Habermas<sub>1</sub> and Habermas<sub>2</sub>.

The unclear boundaries between Habermas<sub>1</sub> and Habermas<sub>2</sub> raise the question in which circumstances multistakeholder initiatives are considered to be legitimate. Wieland argues that in multistakeholder initiatives, “the issue at stake [is] the legitimacy of the actions of all the stakeholders participating in the discourse and the legitimacy of the results of their cooperation” (2014, p. 96). Legitimacy is a complex concept however, which takes on various forms and resides in the eye of the beholder (Mele & Schepers, 2013). For example, an institutional perspective on legitimacy (Baur & Schmitz, 2012) views legitimacy as a condition emanating from perceived adherence to norms, whereas strategic approaches to legitimacy consider it as a resource that organisations can extract from their institutional environment (Suchman, 1995). As multistakeholder initiatives are characterised by the participation of different stakeholders, it is likely that they each have different views on the legitimacy of these collaborative efforts.

For Habermas, the legitimacy of dialogue depends on the settings in which it takes place: “everything depends on the conditions of communication and the procedures that lend the institutionalized opinion- and will-formation their legitimating force” (Habermas, 1998, p. 245). This legitimating force can originate from “popular sovereignty” or “human rights” (Habermas, 2001, pp. 115–116). In the first instance, legitimacy is anchored in democratic processes and representation, while in the latter instance legitimacy is derived from law. Both democratic processes and representation, as well as the rule of law, are examples of “input legitimacy”. Multistakeholder dialogue and collaboration are also characterised by “output legitimacy” (Bäckstrand, 2006). The input and output legitimacy of multistakeholder initiatives should not be regarded as antagonistic concepts. Instead, these two types of legitimacy co-exist and represent the perceived elements that endow multistakeholder initiatives with legitimacy. In essence, input legitimacy regards whether norms and processes are perceived as justified, whereas output

legitimacy is concerned with the effectiveness and credibility of outcomes. Specifically concerning multistakeholder initiatives in the context of business ethics, research has identified input legitimacy criteria such as the inclusion of relevant stakeholders, procedural fairness and neutralisation of power differences, consensual orientation and cooperation, and transparency of processes. Forms of output legitimacy have been identified as rule coverage and compliance, rule efficacy and appropriateness, as well as rule enforcement (Mena & Palazzo, 2012).

#### **5.4 Research Objectives and Methodology**

Against the backdrop of the increasing prominence of global supply chains and growing concerns about social sustainability, this research explores the tensions that exist in multistakeholder approaches to child labour and the ways in which these tensions influence the input and output legitimacy of these initiatives from the perspective of civil society actors. Specifically, the research will explore the tensions between Habermas<sub>1</sub> and Habermas<sub>2</sub>, between the normative-ethical and political-strategic dimensions of multistakeholder initiatives. As the focus of this research lies on civil society actors, the research will adopt an institutional perspective on legitimacy, regarding legitimacy as a condition related to adherence to social norms.

Data was gathered as part of research project of Catalyst Australia, a progressive think tank (Boersma et al., 2014). Interview participants were approached via networking efforts. Responses to interview requests resulted in conversations with representatives from national and international labour unions, union peak bodies, faith-based organisations, and national and global NGOs. Participants and their organisations have participated in multistakeholder initiatives with a focus on child labour, among which the Global March Against Child Labour, the International Partnership for Co-Operation on Child Labour in Agriculture, the International Cocoa Initiative and the Elimination of Child Labour in Tobacco Foundation.

<b>Illustrative Quotes</b>	<b>1st Order Categories</b>	<b>2nd Order Themes</b>	<b>Aggregate Dimensions</b>
[#3] we're targeting companies who would rather use the OECD Guidelines (for Multinational Enterprises) and the instruments it has to file complaints [...]	International Standards	Input Legitimacy	Normative - Ethical / Political - Strategic
[#2] national legislation [...] doesn't necessarily give you a lot of ammunition to attack a certain practice	National Laws		
[#7] child labour is a bad thing full stop [...] is a 16-year-old working as apprentice a good or a bad thing? Well, it very much depends on the industry and the conditions and how they're treated	Context		
[#8] risk is sometimes seen as reputational risk for the business enterprise. If that's what you're talking about, it's a whole different discussion than risk in the human rights sense,	Definitions		
[#4] Initially [the company] did not want to meet with union representatives, until there were too many protests from children and schools and it became an issue in the media	Incentives		
[#12] so you're actually drawing the suppliers and the agents into the conversation as opposed to looking at them as the bad guys	Inclusion		
[#2] There may be some auditing, or social auditing which we don't find very credible as long as there's no worker participation	Auditing	Output Legitimacy	
[#12] Fairtrade provides the most credible assurance available [...] that a product doesn't contain forced or child labour.	Certification		
[#8] while child labour needs to be tackled in its own right, if you've got child labour issues in a supply chain you've almost certainly got other labour rights issues.	Holistic Approach		
[#14] we're working with almost all the stakeholders to make a transformative change, rather than just rescue individual children	Remediation		
[#3] The coordination effort really should be coming from government in a country.	Enforcement		
[#8] if you are working in a country where child labour is endemic, don't wait until something happens.	Due Diligence		

*Table 1: Coding Structure*

Fifteen interviews were conducted on a semi-structured basis exploring the organisations' purpose and role in relation to child labour, the context in which child labour occurs, what approaches are and are not working, and what guidance and support channels are available to organisations and what is missing. The interviews were transcribed and analysed in NVivo. The interviews were coded in three stages: *data reduction* (reducing and organising data), *data display* (visualising emerging patterns) and *verification* (developing conclusions) (Miles & Huberman, 1994). Interviews were coded until a degree of saturation of the data was reached. The data reduction stage consisted of *open coding* (assigning each statement a code), *axial coding* (ensuring exclusivity of categories), *analysis* (searching for patterns and explanations) and *selective coding* (searching raw data that illustrates the analysis) (Miles & Huberman, 1994). By grouping interview codes into categories and higher order themes, the analysis uncovered the general dimensions of the interviews. Examples of interview quotes and the coding structure can be seen in table 1.

The following sections describe the topics that were uncovered during the coding process. The sections are ordered following the first order categories and second order themes in table 1 and provide a concise summary accompanied by illustrative quotes. Interview respondents participated on the basis that their names and organisations would be listed in the original research report (Boersma et al., 2014), but that interview quotes would not be ascribed to them. The interviews have been assigned numbers in order to show the breadth of responses. The discussion section following the findings will further elaborate on the normative-ethical and political-strategic tensions and the effects on the perceived input and output legitimacy of multistakeholder initiatives from the perspective of civil society actors.

## **5.5 Input Legitimacy: Underlying Norms and Processes**

### *5.5.1 International Standards and National Laws*

From the perspective of civil society actors, the input legitimacy of multistakeholder approaches to child labour has a strong normative basis and is shaped by international standards and national law: [#2] “It's for governments and for the international community to set out the rules.” International standards, although not legally binding, are preferred over national legislation if the latter is weak: [#2] “We would start with the international conventions (on child labour), because most of the areas where you have child labour, national legislation or enforcement of that legislation might not be very helpful.” Both international standards and national laws are not considered to be perfect: [#7] “Most countries can't claim to have ratified all of the core ILO conventions including the two on child labour [...] Sometimes it is the case



that the domestic laws have not been enabled. In other cases, the laws are on the statute books but there's no compliance.”

However, child labour often occurs beyond legal reach, such as in the informal and dark economy: [#3] “it almost always occurs in economic activity that is outside of legal frameworks.” Regarding the limits of national law and governance gaps, respondents note increasing synergy between international standards and national law: [#2] “I think the practice is to use the national legislation and it's only since the Ruggie Principles (UN Guiding Principles on Business and Human Rights<sup>1</sup>) [...] that there is a possibility and momentum that that might change into a more direct and active role of international legislation in terms of application on national territory through multinational companies.”

### *5.5.2 Context and Definitions*

It is also noted that international standards and national laws can be too broad to be effective: [#10] “what is needed is not another one size fits all [approach]... but contextual guidelines, principles and approaches.” Another interviewee added: [#11] “once it gets down to the different industries, I then think it becomes very specific as to what's best practice [...] what the standards are in other countries and internationally, and what's acceptable and what's not.” Furthermore, the context in which child labour occurs determines the severity of each case, and the local settings should be taken into account in formulating an effective approach: [#7] “So child labour is a bad thing full stop [...] is a 16-year-old working as apprentice a good or a bad thing? Well, it very much depends on the industry and the conditions and how they're treated and so on and so forth.”

In formulating effective and legitimate multistakeholder approaches, agreement on definitions of key concepts is also crucial, as their meaning can vary among different stakeholder groups. The ILO Conventions on child labour are regarded as authoritative definitions: [#14] “Child labour is defined by the International Labour Organisation in two conventions [...] so there is an authoritative definition.” Yet, concerns exist about the application of the definitions, which can lead to the misbranding of child labour as children working: [#3] “I think corporations generally are at pains to try and blur the distinctions and to try to suggest that somehow if there's an individual choice involved that (child labour) is not a problem or not exploitation.” Another respondent added: [#12] “Child labour is always an abuse by definition [...] it is not children working.”

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<sup>1</sup> The UN Guiding Principles are international human rights standards based on three pillars, (1) the state duty to protect human rights; (2) the corporate responsibility to respect human rights; and (3) greater access by victims to effective remedy, both judicial and non-judicial (Ruggie, 2013, p. xx).

Apart from the definition of child labour, the manner in which responsibility and risk are defined is also crucial. Developments of international standards have led to a different view on the responsibility of business: [#3] “there was traditionally a big emphasis on the positive impacts and the good that business could do. The UN guiding principles are about the adverse impacts on human rights that business do. That was a big shift. The notion of responsibility was different.” Risk is also seen as an ambiguous concept: [#8] “risk is sometimes seen as reputational risk for the business enterprise. If that's what you're talking about, it's a whole different discussion than risk in the human rights sense, which is risk that there would be a negative impact on the human rights of others, meaning, for instance, children in this case. So there are two conceptions of risk. They're not compatible and they're frequently conflated.”

### *5.5.3 Incentives and Inclusion*

The motives of companies to engage in multistakeholder approaches to child labour in supply chains are often regarded as opportunistic and strategic. It was pointed out that the threat of reputational damage is commonly the incentive of a company to participate: [#4] “As I said, [the company] came to us as a result of these activities, because they got a lot of letters from these schools. Initially they did not want to meet with union representatives, until there were too many protests from children and schools and it became an issue in the media.” Another respondent added that companies engaged with them [#2] “when they realised that this will become an issue - a long-lasting issue that must be addressed by them. So they changed their policy from ignoring and rejecting - I don't know if it's only an image concern, or if they really want to change something, but at least they show interest in a dialogue with us.”

The interviews show that the inclusion of relevant stakeholder groups is vital for multistakeholder approaches to be considered legitimate by organised labour and other CSOs. For example: [#7] “Global labour and civil society organisations have trouble with the Responsible Jewellery Council because it is an industry run initiative basically. They do consult stakeholders but in terms of the management of the standard it is an industry driven standard.” In instances when multistakeholder initiatives do not include stakeholders, organisations can withdraw their support: [#2] “[we] also withdrew from the International Cocoa Initiative [...] as long as it's a closed circuit, self-regulating system [...] it's not necessarily what we want to invest our time in.” A number of useful approaches were cited, for example: [#5] “In Thailand you've got meetings set up by the UN or the ILO with buyers [...] what the suppliers say is you guys squeeze us on price. You expect the products so cheap, but then you want all these labour standards complied with.”

## 5.6 Output Legitimacy: Effectiveness and Credibility of Outcomes

### 5.6.1 *Auditing and Certification*

Multistakeholder initiatives generate various approaches to child labour in global supply chains. Social auditing is one of these outcomes, but is only deemed legitimate when [#6] “there is a genuine multistakeholder independent body that is accrediting those supply chains.” Transparency is a critical factor in these instances: [#6] “unless companies are prepared to say, well, these are all the places in the world where we are having our products made, then the capacity for workers, unions and civil society organisations to be able to check and assess whether those companies are using child labour or not, is [not there].” Another respondent stated: [#9] “unions at a local and global level as well as well as companies and civil society organisations [...] should be the ones that determine how an audit is undertaken.” Yet, concerns also exist regarding the supply chain audit process, as it has [#11] “become a game that suppliers know how to play.”

Certification can help to ameliorate some of these concerns: [#12] “the long-term aim should be to get into a place [a system] where ethical certification through organisations like Fairtrade or equivalent is a pre-competitive standard and a baseline for companies.” Again, civil society participation is crucial: [#1] “because it is a very rigorous system and it requires [...] that the union fully checks the compliance of every level of the supply chain to ensure that it has integrity.” A lack of participation by CSOs results in certification being [#7] “more about the industry window dressing rather than anything of real substance.” As such, certification is not seen as a magic bullet: [#7] “Rio Tinto and BHP sell their diamonds to a trader who is certified but no-one is quite sure what happens to the diamonds in terms of where they go to get cut and polished.” Companies also use certification as a competitive tool [#12] “enabling the majority of players in the industry to be certified, knocking out the worst performers [by] setting modest standards to which most of the industry can qualify.”

### 5.6.2 *Holistic and Remedial Approach*

Multistakeholder initiatives are deemed most effective in those instances where a holistic approach to child labour is taken: [#12] “you have to look at it holistically and we are in support of [...] a broader human rights lens”. Indeed, child labour usually coincides with a general absence of labour rights: [#8] “while child labour needs to be tackled in its own right, if you've got child labour issues in a supply chain you've almost certainly got other labour rights issues.” Indeed, the existence or absence of enforced labour rights is an important indicator of effectiveness of approaches to child labour: [#6] “whether there's also a free and active trade union movement [...] that will be the test of whether the laws [have] any meaning on the ground

in terms of workers' rights and the rights of children.” Yet, companies do not share this view: [#5] “I can't think of a single example of a conversation I've had with a mainstream, large company where they've said ‘yeah, a unionised workforce is really important to us’”.

Effective responses are about more than [#12] “shutting down the factories using child labour, it is about taking a remedial approach to ensure that the best interests of the child are taken into account.” Indeed, [#7] “if you simply ban child labour it forces families and communities into greater poverty.” One respondent described how children: [#5] weren't just dumped out of the industry and left vulnerable to being exploited in some other industry. They actually ended up being able to go to school. They didn't completely forbid the kids from being able to work on rugs [...] as long as it wasn't harmful.” Effective approaches are about [#10] “looking at what drives child labour and tackling it at source rather than in a more cosmetic approach.” For example: [#2] “as long as you don't increase the wages and the income of the families which are forced to resort to child labour, you won't get to a sustainable solution.”

### *5.6.3 Enforcement and Due Diligence*

Enforcement and government involvement are considered to be vital: [#6] “to end child labour, it's not just feel-good statements or company-driven policies and commitment, it's proper, enforceable standards.” Another respondent added that [#1] “our local partner made sure the local authorities were informed, because they actually have the duty and obligation to tackle the issue.” As such, mandatory measures are preferred over voluntary measures: [#7] “Unions and civil society organisations will say they've never particularly like voluntary guidelines. We only agree to do them because [...] It can be a positive force for change where the government is manifestly incapable or unwilling to act [but] ultimately you want to push it from a voluntary standard to a regulated standard.” Another interviewee stated that for companies, [#9] “a lot of it is about covering their arse rather than actually lifting performance.”

Lastly, the notion of due diligence is gaining importance: [#8] “if you are working in a country where child labour is endemic, don't wait until something happens.” Another respondent gave an example: [#14] “let's say you're starting to source from Indonesia. What information have you looked at to look at all the various human workers' rights issues? Have you spoken to civil society [...] to find out what the risks might be and are you doing a risk assessment before you start to source, not waiting to source before you find things?” In performing child labour risk assessments, relying on the knowledge of (local) stakeholders is seen as important: [#8] “if you are working in a country where child labour is endemic [...] you should've thought through, if this happens, what would we do? Who would we go to? Have we spoken to them? What would be our approach?”

### **5.7 Discussion: Normative-Ethical / Political-Strategic Tensions and Legitimacy**

Discourse ethics states that ethics, morals, and values are subject to discursive processes in which they can be legitimised or contested. However, the idealising presuppositions of discourse ethics make it difficult to apply this framework in practice. This hurdle can be overcome by using a political version of discourse ethics that does not seek moral consensus, but rather offers a legitimate basis for cooperation and incremental progress. Yet the difference between the normative and applied version of discourse ethics is not clear-cut: while a political version of discourse ethics might be pragmatic, it is not devoid of normative elements. Indeed, the research finds that although multistakeholder initiatives have become important in dealing with child labour in global supply chains, the input and output legitimacy of multistakeholder initiatives are subject to normative-ethical and political-strategic tensions which can potentially undermine the perceived legitimacy of these initiatives.

The findings show that for CSOs, multistakeholder approaches to child labour have a strong normative basis. Civil society actors assign a key role to international standards and national legislation in shaping approaches to child labour, but acknowledge that the context in which child labour occurs is important in defining suitable responses. Thus, while international standards and national laws are considered authoritative and essential, civil society actors concede that these norms can be formulated too broadly and fail to consider contextual specifics. This marks a tension between normative-ethical and political-strategic dimensions of multistakeholder initiatives: stakeholders will need to navigate the tensions between international and national child labour norms while simultaneously considering the circumstances in which child labour occurs. Yet, the interviews do not provide evidence that this dynamic necessarily undermines the input legitimacy of multistakeholder initiatives.

The perceived input legitimacy of multistakeholder initiatives can however be undermined by another normative element, specifically the definition of concepts such as child labour, risk, and responsibility. Unless stakeholders reach agreement concerning the definition of these concepts, multistakeholder initiatives are unlikely to be seen as effective and legitimate by CSOs, again showing that for civil society actors multistakeholder approaches to child labour have a strong normative basis. Here too a normative-ethical and political-strategic tension manifests, in that CSOs and MNCs are often at odds about the way in which child labour, risk and responsibility are defined: CSOs use definitions in international standards and national law, whereas MNCs are shown to frame child labour as children working, define risk as reputational risk to the company instead of human rights risk, and businesses responsibility as the good that MNCs can do instead of addressing their negative impacts.

Another normative-ethical/political-strategic tension that influences the perceived input legitimacy of multistakeholder initiatives relates to corporate participation and incentives to engage with other stakeholders. While civil society actors consider the inclusion of relevant stakeholders to be crucial, they express doubts about the motives of companies to contribute to multistakeholder initiatives. The findings show that reputational risk often forms the main motivation for MNCs to engage with CSOs and other stakeholders, marking a political-strategic rather than a normative-ethical incentive to join multistakeholder initiatives. Despite these opportunistic corporate motives, CSOs nevertheless welcome corporate participation, which suggests that political-strategic corporate motives do not altogether undermine the input legitimacy of multistakeholder initiatives from the perspective of CSOs.

The perceived output legitimacy of multistakeholder initiatives is also characterised by several normative-ethical/political-strategic tensions. For example, civil society actors only regard supply chain auditing to be legitimate in case there is a multistakeholder body accrediting these audits. An example of such auditing practices concerns the protection of Australian garment homeworkers (Burchielli, Delaney, & Coventry, 2014). Consequently, CSOs prefer to establish an authoritative accreditation standard. However, the interview findings show that companies frequently perform supply chain audits themselves, have learned how to manipulate audit findings, and often comply with auditing standards as a means to knock out their competitors, thus using social auditing as a strategic and competitive tool.

In addition, CSOs deem a holistic approach to child labour to be an important measure of output legitimacy: the denial of labour rights is an important contributor to child labour, and effective remediation is therefore linked to enabling labour rights such as freedom of association, collective bargaining, and fair pay. Yet, while CSOs consider it important to enable broader labour rights, the findings suggest that MNCs do not share this normative point of view and do not regard the enabling of broader labour rights as an important means to combat child labour. This shows that, in line with earlier findings by Barrientos and Smith (2007), CSOs tend to focus on enabling rights whereas MNCs tend to focus on outcomes of multistakeholder initiatives such as codes or standards, marking another normative-ethical/political-strategic tension. A final tension that influences outcome relates to the enforcement of norms. Contrary to MNCs, CSOs argue that there is a need for mandatory child labour standards, and see a crucial role of the government and local authorities in enforcing these standards. Simply put, CSOs prefer mandatory over voluntary measures, while MNCs prefer self-regulation through corporate policies. CSOs do recognise that voluntary measures applied by MNCs can be effective, but only in cases where governments are unable or reluctant to act.

Finally, the interview findings show that there is an element of multistakeholder initiatives that seems to be free from normative-ethical/political-strategic tensions: human rights due diligence. The rise of preliminary risk assessments has been spurred on by the UN Guiding Principles, and signifies that emerging norms in business responsibility, concerning child labour or other social and environmental issues, are characterised by a distinctive precautionary turn. The interviews show that civil society actors embrace this notion, while there is no indication that companies object to this development. Considering the novelty of the UN Guiding Principles, at present human rights due diligence should be regarded as a potential outcome of multistakeholder initiatives. Over time, as the UN Guiding Principles gain authority and its norms diffuse, human rights due diligence will become a new standard, indicating that it has become a factor that determines the input legitimacy of multistakeholder initiatives. Regardless, the fact that due diligence is not subject to normative-ethical/political-strategic tensions suggests that it has the potential to play a key role in the success of multistakeholder initiatives and the fight against child labour.

## **5.8 Conclusion and Further Research**

This research finds that multistakeholder initiatives focused on tackling child labour are subject to several normative-ethical/political-strategic tensions. These tensions are the result of the strong normative standpoint of civil society actors, while effective multistakeholder approaches to child labour are shaped by contextual factors, and the efforts of companies in dealing with child labour are often characterised by political-strategic motives. Consequently, the success of collaborative efforts to remediate child labour depends on the effective navigation of these normative-ethical/political-strategic tensions, which otherwise have the potential to undermine the perceived input and output legitimacy of multistakeholder initiatives. Encouragingly, human rights due diligence is ostensibly exempt from these tensions and can thus play a key role in the success of multistakeholder initiatives and efforts to eradicate child labour in global supply chains.

To enable a more detailed analysis of multistakeholder approaches to child labour, future research could endeavour to gather the views of a broader group of stakeholders participating in collaborative efforts, among which stakeholders representing government, international governance organisations, companies, and workers. Furthermore, the examples of dialogue and collaboration provided by respondents are not recorded in situ, and are thus anecdotal rather than empirical. Future research could therefore attempt to directly observe dialogue and collaboration, for example in multistakeholder forums. Finally, further research could test whether normative-ethical/political-strategic tensions also occur in multistakeholder

initiatives focused on other matters concerning social sustainability, therefore potentially demonstrating the external validity of the findings presented in this paper.



## **Chapter 6: A Critical Analysis of Corporate Social Responsibility**

This concluding chapter will reiterate the overarching research objectives of this thesis and present the main findings. It will summarise the significance of global supply chains and the impact that this production and sourcing regime has on working conditions. In response to labour and human rights abuses in global supply chains, which are frequently exposed by the media and by CSOs, many companies have initiated voluntary and self-regulatory initiatives which take the shape of CSR and private governance. These initiatives are meant to address social and environmental issues and fill governance and enforcements gaps. The first objective is to explore why these voluntary and self-regulatory initiatives have not resulted in structural improvements to working conditions in global supply chains. To answer this question, I will offer an extended analysis of the Apple case study, and I will re-examine the findings of the chapters that discuss innovative approaches to supply chain exploitation. I will do this by applying legitimacy theory to explain the scenarios presented in chapters three, four and five.

In doing so, I address the second research objective, which is to examine to what extent legitimacy as a theoretical construct can conceptually explain the dynamics surrounding CSR. This concluding chapter takes a critical approach to legitimacy. It aims to reveal why CSR fails, why this flawed approach nevertheless persists, how new developments are contesting conventional approaches, and what the challenges of these new approaches are. I will show that we need to rethink the ways in which organisational legitimacy can be questioned, how companies can be held accountable by stakeholders, whether decreased legitimacy translates to ramifications, and how companies manage threats to legitimacy. Practically, this chapter exposes the factors that currently inhibit effective remediation of supply chain labour abuses, and it explores developments that can help to overcome these barriers. Theoretically, I suggest an expansion of legitimacy as it is used in management studies by introducing *legitimising myths*. I will put the proposed conceptual expansion into practice by revealing *hierarchy-enhancing* and *hierarchy-attenuating myths* that uphold and challenge the CSR paradigm.

### **6.1 Global Supply Chains and the Corporate Social Responsibility Paradigm**

The preceding chapters show that the rise of global supply chains have a profound bearing on the lives of workers around the world. There are many statistics that highlight this impact. In the 40 countries that make up 85% of the global gross domestic product, and account for two-thirds of the global labour force, formal employment linked to supply chains has increased by 53% since 1995 (International Labour Organization, 2015). 80% of global trade is linked to the production networks of multinational enterprises (UNCTAD, 2013). 60% of global trade

in the real economy depends on the supply chains of 50 corporations, which employ a mere 6% of workers directly and rely on a hidden workforce of 116 million people (International Trade Union Confederation, 2016). At the same time, there are 45.8 million people in slavery (Bales, 2016) and 168 million child labourers globally, of which 85 million are involved in work that endangers their health, safety and development (International Labour Office, 2013).

Through global supply chains, many instances of labour and human rights abuses are regularly linked to companies, investors and consumers. There is even evidence to suggest that this mode of production generates cost pressures that result in exploitation further up the supply chain. The handful of supermarkets that dominate global food sales are a prime example. Just four companies account for 70% of the trade in commodities like wheat, corn and soybeans, while only 50 companies account for half of all global food sales (Friends of the Earth Europe, Heinrich Boll Foundation, & Rosa Luxemburg Foundation, 2017). Their grip on the market and on supply chains has resulted in low prices, yet their buying power exerts ongoing pressure on suppliers to cut costs (Vaughan-Whitehead & Pinedo Caro, 2017). As labour constitutes a key area in which major savings can be made, suppliers often cut corners to reduce labour costs, which results in various forms of labour exploitation (Willoughby & Gore, 2018).

A key issue is that economic globalisation and business innovation have outpaced the development of internationally binding norms concerning corporate responsibilities for labour standards and human rights. Existing labour regulation has a national scope, meaning that companies operating directly in host countries have to consider regulation that is different from that in their home country. When companies source through supply chains, lead companies do not have responsibilities towards workers at suppliers and their subcontractors in the same way as they do towards their own employees. Consequently, the governance of labour standards and the protection of human rights in global supply chains is characterised by a mix of jurisdictions, norms, and actors, while approaches differ depending on national, industry and company factors. These complications are described as governance and enforcement gaps. Initiatives to bridge these gaps range from international framework agreements that mimic collective bargaining, to market-based initiatives that produce voluntary standards.

There is a lack of political will among governments to establish and enforce an internationally binding instrument that captures corporate responsibilities with regard to human rights. Approaches to labour and human rights abuses therefore continue to build on the existing legal frameworks of nation-states. Because of neoliberal policies and the hesitance of governments to intervene in business affairs and markets, approaches social and environmental issues in global supply chains rely heavily on corporate voluntarism and self-regulation. These approaches take the shape of CSR and private governance. Broadly, this involves corporate

activities that are not anchored in the law and its enforcement by authorities, and are meant to positively impact on society and the environment. The idea is that companies will go above and beyond what is required by law to avoid and mitigate social and environmental issues.

In the introduction and in chapter one, I posit that CSR relies on the market to balance social, environmental and financial interests. I suggest that the CSR paradigm is connected to neoliberalism, which promotes the use of market mechanisms in all domains of society (Brown, 2015). If we accept that CSR relies on market forces, it becomes possible to question the way it operates. CSOs and other stakeholders routinely attack the reputation of companies in attempts to make them address their concerns. Threats to reputation may lead to the company incurring financial damage, which can provide an incentive to meet stakeholder demands. This strategy is called a *symbolic damage* approach (Den Hond & De Bakker, 2007). Yet, if CSR is mediated by the market, companies can have instrumental rather than moral motives. Furthermore, a situation in which corporate goals can be aligned with stakeholder interests should not be assumed, as trade-offs may occur. Relatedly, CSR agendas may not truly reflect stakeholder values. This can allow a company to meet its financial and CSR objectives without addressing stakeholder concerns (Clarke & Boersma, 2016). Finally, there may not be a critical mass of stakeholders that can change corporate conduct via market forces. In short, there is no reason to assume that the market will balance interests and create beneficial outcomes for all.

Indeed, despite the uptake of CSR and private governance in global supply chains, we have not witnessed a structural improvement of labour standards in producing and export-oriented regions (Locke, 2013a). Companies nevertheless continue to unfold these initiatives relatively unchallenged. Governments, investors and consumers have not lost faith in corporate voluntarism and self-regulation, given the lack of regulatory measures, modest divestment and record company profits. By applying legitimacy theory to the Apple case study, the extended analysis will suggest that the current CSR paradigm fails to structurally address supply chain abuses for two main reasons. First, because the process of threatening and maintaining organisational legitimacy relies on market forces to balance corporate and stakeholder interests. Secondly, CSR fails because of the different perspectives on organisational legitimacy held by companies and CSOs. Companies see it as a resource and therefore have instrumental motives, CSOs see it as something that is withheld or bestowed by stakeholder based on whether issues have been appropriately addressed and therefore have a moral view on legitimacy.

Legitimacy goes a long way in explaining stakeholder dynamics around CSR. For example, chapter three describes the cycle in which CSOs and the media expose abuses in Apple's supply chain, how Apple's image is used as leverage to effectuate change, how Apple and its suppliers respond, how new instances of supply chain exploitation are then exposed, and

so on. As it is currently used in management studies, legitimacy does not explain *why* this cycle continues to repeat itself. Put differently, organisational legitimacy and stakeholder theory explain how corporate stakeholders raise issues, how organisational legitimacy is contested, and how companies react, yet they do not explain why CSR and private governance continue to be acceptable corporate responses. This is remarkable given that we have not witnessed a structural improvement of working conditions, and stakeholders continually raise new issues. In the following section I will suggest a theoretical expansion which enables a better explanation of the Apple scenario, and of CSR approaches to supply chain abuses more broadly.

## **6.2 Organisational Legitimacy and Legitimising Myths**

Legitimacy is a helpful construct that can be used in several theoretical frameworks. Organisational legitimacy entails the perception that the actions of a company are appropriate within a wider system of beliefs (Suchman, 1995). Legitimacy can also assist in assessing how companies maintain, gain, or repair organisational legitimacy when responding to legitimacy threats (Ashforth & Gibbs, 1990). The literature shows that “the behaviour of a legitimate entity should be compatible with the shared beliefs of its conferring publics. The credibility of an organization depends on its legitimate activities in consonance with the moral rules of the society” (Gunningham et al., 2004). However, if dissonance can threaten organisational legitimacy, how do we explain the Apple scenario? The company was implicated in a decade of supply chain exploitation, yet did not suffer notable repercussions. Instead it recorded record profits. This shows that organisational legitimacy currently does not adequately explain the dynamics around social and environmental issues in supply chains.

Therefore, the time is right to question organisational legitimacy and the stakeholder dynamics surrounding it. I will do this by questioning the use of CSR as a corporate response to supply chain abuses, and the use of CSR as a tool to manage organisational legitimacy. I will furthermore question the effectiveness of reputational damage campaigns that threaten organisational legitimacy. Recent research has called for a reassessment of legitimacy, arguing that “[...] in our context of global uncertainties, it is important that we explore new ways of theorizing and measuring legitimacy [...]” (Pettigrew & Starkey, 2016, p. 649). As stated in chapter two, I do not argue that organisational legitimacy fails entirely as a theoretical construct. Instead, I contend that it is necessary to rethink the ways in which organisational legitimacy can be questioned, how companies can be held accountable by their stakeholders, whether decreased legitimacy translates to ramifications, and how companies manage threats to their legitimacy.

I take a critical approach to organisational legitimacy and CSR by questioning conventional notions, especially notions which go largely uncontested. Specifically the idea that market forces balance social, environmental and financial interests, and that a companies' social license to operate can be bestowed and withheld by its stakeholders. Chapters one and two reveal the contingent and multifaceted character of CSR and organisational legitimacy. This shows that these concepts subject to change and can therefore be contested. In the context of this research, that means questioning the taken for granted approaches to address supply chain abuses. This task is aided by taking a cross-disciplinary approach. For example, feminist, queer and radical ecological perspectives have been used to criticise notions that are taken for granted in management studies (Parker, 2001; Spicer et al., 2009). This research will borrow concepts from social dominance theory to critically analyse organisational legitimacy and CSR, thus broadening the use of legitimacy as a management concept. I aim to challenge the assumptions underlying organisational legitimacy and CSR, and use this theoretical development to reveal shortcomings of conventional approaches to supply chain exploitation.

Social dominance theory posits that social agents that benefit from the current social order will display hierarchy-enhancing behaviour and promote legitimising myths that strengthen the existing hegemony. Conversely, marginalised groups of social agents will express hierarchy-attenuating behaviour and therefore spread legitimising myths that aim to undermine the status quo (Dambrun, Guimond, & Duarte, 2002). Social dominance theory and legitimising myths have as yet not been used explicitly in the context of management studies. Yet in her book "The Shareholder Value Myth", Lynn Stout posits that shareholder primacy has no basis in law or economics. While Stout does not refer to social dominance theory or legitimising myths explicitly, I contend that the shareholder value myth is a typical example of a hierarchy-enhancing myth. It contributes to the hegemony of companies and shareholders while delegitimising broader stakeholder concerns.

In the context of this research I suggest that companies, as a dominant group of social agents, want to maintain how the social and environmental responsibilities of business are currently defined. This means they want to continue to address these responsibilities through voluntarism and self-regulation. Companies will express hierarchy-enhancing myths to uphold the CSR paradigm, while negatively affected stakeholders such as workers and communities – and CSOs that lend them a voice – will express hierarchy-attenuating myths. According to social dominance theory, the beliefs that legitimise and enhance the existing hierarchy gain strength as the social status of benefitting social agents increases (Sidanius & Pratto, 1999). Using social dominance theory, I can be argued that the size and influence of contemporary

companies<sup>†</sup> is an important factor in explaining why the current CSR paradigm persists, despite copious evidence of ongoing exploitation in global supply chains. Overall, identifying legitimising myths in the context of organisational legitimacy and CSR can assist in explaining the dynamics between companies and their stakeholders, and can demonstrate how the CSR paradigm is being maintained and contested.

Based on the extended analysis of the Apple case study, I suggest that there are two main legitimising myths that uphold the dominant CSR paradigm. First, that market forces can successfully balance social, environmental and financial interests. Second, that a company's social license to operate can be revoked by its stakeholders. That is, dissonance between the activities of an organisation and stakeholder values can undermine organisational legitimacy and significantly disrupt a company's effective functioning, and ultimately threaten its survival. The Apple case study presented in chapter three is based on empirical data. The postulation that these two legitimising myths uphold the CSR paradigm is therefore based on the empirical analysis of a case study and on theoretical insights. As stated in chapter one, our understanding of labour standards in global supply chains is mostly based on case studies and theoretical insights. To test the theoretical assumptions made on the basis of the extended analysis of chapter three, I will revisit the findings of chapters four and five.

Chapters four and five look at progressive approaches to supply chains exploitation. In addition to *symbolic damage* approaches, CSOs increasingly enter into partnerships with companies, which are branded as *symbolic gain* strategies (Den Hond & De Bakker, 2007). Multistakeholder initiatives are one example of the ways in which the CSR paradigm is changing, and indicate a move from adversarial towards collaborative approaches. The UNGPs form another example of change. The UNGPs seek to overcome the opposition between voluntary and binding initiatives, and redefine corporate responsibilities regarding human rights. In revisiting the findings of chapters four and five, I summarise the views of CSOs on what constitutes effective approaches to supply chain abuses. In as far as they criticise conventional approaches, these offer examples of *hierarchy-attenuating myths* that challenge the CSR paradigm. CSOs suggest that progressive approaches are characterised by companies engaging with a wide range of stakeholders, taking a contextual and holistic approach, and by focusing on prevention and remediation. Good practices are also characterised by adopting proactive and pluralistic strategies, rather than relying on reactive and paternalistic approaches.

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<sup>†</sup> 60% of global trade in the real economy depends on the supply chains of only 50 corporations (International Trade Union Confederation, 2016).

### 6.3 Can Market Forces Balance Social, Environmental and Financial Interests?

Chapter one has shown that CSR has undergone many developments in the last decades, which provides evidence for its contingent character. Yet there is an element of CSR that has remained the same over time and across definitions. This concerns the fact that CSR initiatives do not rely on legal frameworks (Kakabadse et al., 2005). In the context of global supply chains, chapter two discusses how companies often adopt CSR and private governance exactly because adequate legal frameworks are lacking. This is frequently the result of stakeholders raising concerns about social and environmental issues. Companies are increasingly required to address stakeholder concerns, as not doing so can result in stakeholders inflicting reputational damage. Conversely, being perceived as a “sustainable company” can add brand value. In short, CSR does not rely on laws and their enforcement, it relies on market mechanisms to balance social, environmental and financial interests.

If we acknowledge that CSR relies market forces, we should also accept the possibility that corporate responses may follow the logic of the market. In responding to social and environmental issues after being pressured by CSOs, companies may therefore be driven by instrumental rather than by moral incentives. This means that CSR becomes a means to an end (meeting financial objectives by addressing stakeholder concerns) rather than an end in itself (addressing stakeholder concerns). As the market ascribes commercial value to the corporate image and reputation, which are threatened by the campaigns of CSOs, any corporate response that neutralises the threat to the corporate image and reputation suffices in meeting financial objectives. This results in the option of a symbolic rather than a substantive approach to social and environmental issues, without adequately addressing underlying stakeholder concerns.

The Apple case study provides empirical evidence for this scenario. It shows that CSOs are a key agent in holding companies to account by harnessing consumer power and leveraging market forces. Following negative public exposure at the hands of CSOs and the media, Apple and its suppliers implement reforms by means of a code of conduct and social auditing-based approach. The concerns among Apple’s consumers are effectively countered and short-lived. After Apple reaffirms its legitimacy vis-à-vis the public, new evidence of ongoing labour abuses is presented by CSOs and the media, which again threatens Apple’s legitimacy. This cycle has repeated itself for a decade. The record profits that Apple has made during this period suggest that the incidents in its supply chain have not had significant – if any – impact on the company’s financial success. Ongoing exploitation shows that structural improvements to labour standards in Apple's supply chain can have not been achieved during this period.

Chapter two discussed Dowling & Pfeffer’s (1975) and Lindblom’s (1994) legitimization taxonomies. Apple applies a combination of legitimization tactics. It *conforms* with stakeholder

expectations by implementing reforms (although it does not satisfy all stakeholders, such as CSOs); it *alters* expectations among which by not taking responsibility for transgressions itself but by blaming its suppliers (it outsources responsibility); and finally Apple *aligns* itself with institutionalised symbols that are considered legitimate. It manages the latter through a code of conduct and social auditing approach (although not all stakeholders are satisfied by this strategy). Apple uses *symbolic* and *substantive* means to manage its legitimacy. Foxconn on the other hand deploys a manipulative legitimization tactic to maintain its legitimacy vis-à-vis Apple. It *decouples* symbolic from substantive measures. Apple's promised improvements do not align with Foxconn's operational reality, as the supplier deceives Apple by falsely signalling compliance while continuing to breach conditions.

In terms of Suchman's legitimacy taxonomy (1995), Apple manages its *cognitive legitimacy* through a mix of symbolic and substantive means. The statements by Steve Jobs and Tim Cook about Apple's approaches to supply chain abuses are examples of symbolic means. Hiring independent auditing teams to monitor activities at suppliers is an example of a substantial effort. In doing so, Apple ostensibly attains *moral legitimacy* by appearing to align itself with normative expectations expressed by CSOs, in spite of the fact that CSOs are persistent in their scepticism about Apple's reforms. CSOs also continue to gather evidence which shows that abuses are ongoing. Apple nevertheless attains *pragmatic* legitimacy by achieving its organisational goals: it makes record profits and analysts predict that Apple will reach a market capitalisation of one trillion US\$ in the near future (Neate, 2015).

The role of companies in addressing social and environmental issues in weak institutional environments is widely accepted, and CSOs are commonly seen as crucial actors in exposing corporate misconduct. Yet CSOs have limited capacity to hold companies accountable beyond relying on market forces. The Apple case study suggests that while reputational damage campaigns can be a useful short-term tactic, they do not comprise an effective long-term strategy to improve labour standards. The Apple scenario shows that there is no reason to assume that the market will successfully balance the interests of corporations and their stakeholders. In this case this is due to the ability of Apple and Foxconn to effectively manage negativity surrounding their activities without taking appropriate substantive action. I suggest that the belief that the market can balance the interests of companies and their stakeholders is the principal hierarchy-enhancing myth that upholds the current CSR paradigm.

#### **6.4 Can the Social License to Operate be Revoked?**

Threatening corporate reputation is one of main tools that CSOs have available to them. While this tactic may prompt a corporate response, the Apple case study indicates that this reaction



may not result in desirable long-term outcomes. The Apple scenario shows that threats to organisational legitimacy can be neutralised without necessarily remediating the issues at hand. Considering how CSR works through market forces, I suggest that Apple sees organisational legitimacy as a resource that represents value, which can be maintained through managing stakeholder perceptions. Apple therefore takes an instrumental approach to legitimacy. By suggesting that its actions are congruous with the values of its stakeholders, Apple positively influences stakeholder views successfully manages its legitimacy. CSOs on the other hand regard organisational legitimacy as something that is withheld or bestowed based on whether issues have been adequately addressed. They therefore have a moral view on legitimacy. These divergent views result in a cat-and-mouse game between companies and CSO, which is evident in the vicious cycle in which Apple and its stakeholders find themselves.

The dissimilar perspectives on organisational legitimacy shed a critical light on the “social license to operate”, which has also been called “legitimacy by another name” (Gehman et al., 2017). It begs the question whether organisational legitimacy can be effectively questioned using market forces. This notion of the social license to operate assumes that a social contract exists between companies and society. While intangible and merely implied, the social license to operate has become commonplace in CSR discourse, and is used by companies and CSOs alike. The frequent use of this concept implies two things. First, that it can be granted to a company by its stakeholders. Second, that the license can be revoked by its stakeholders. Both notions are contentious. In the context of the Apple case study, judging by its financial achievements, it is doubtful whether Apple’s legitimacy was ever truly at stake. It is thus questionable whether Apple’s social license could have been revoked.

The Apple case study suggests that stakeholder pressures never truly jeopardised the company’s legitimacy. As the largest consumer electronics company in the world, Apple’s main conferring public consists of its consumers and its investors. Yet, the empirical analysis shows that Apple’s consumers and investors hardly raise concerns about supply chain labour exploitation. This suggests that a symbolic damage approach is an inefficient strategy in attempting to make a brand with such dedicated followers change its behaviour. Greenpeace seems to have been aware of this. As mentioned in the preface, they “championed” Apple by taking a symbolic gain approach, asking the company to become a leader in green electronics. Despite the absence of critical consumers, CSOs such as China Labor Watch continue to apply pressure on Apple. CSOs are thus nevertheless trying to use Apple’s public image to effectuate change, which shows an ongoing reliance on market forces to hold the company to account.

I do not argue that organisational legitimacy cannot at all be jeopardised using market forces, as making issues known to the public can reflect negatively on companies. Yet

threatening organisation legitimacy cannot be relied on to structurally improve conditions, given the possibility to manage organisational legitimacy without taking substantive action. There are many examples of scandals that have not jeopardised the legitimacy of companies or threatened their survival. Even in instances like the Bhopal chemical disaster, the Deepwater Horizon oil spill, the Volkswagen emissions scandal, the irresponsible behaviour by banks in the lead up to the global financial crisis, or the suicides and worker exploitation in the Apple supply chain, there is no evidence that a social licence to operate was ever truly at risk. This suggests that, just like some banks were considered to be “too big to fail” during the global financial crisis, some large companies may be “too big to shame”. By this I mean that no amount of threat to organisational legitimacy poses an existential danger. The notion that stakeholders can revoke their social license to operate therefore constitutes a legitimising myth.

The insights discussed in the previous two sections are based on the theoretical framework presented in chapter two, and on the extended analysis of the empirical data presented in chapter three. The next two sections will revisit the findings of chapters four and five, in order to find more evidence for the existence of legitimising myths that uphold – and contest – the CSR paradigm. The findings presented in chapter four and five are based on interviews with civil society representatives concerning their experiences in campaigning against and working with companies to address supply chain exploitation. The interviewees have experience with both symbolic damage and symbolic gain strategies, and provide their insights on what they consider to be effective and ineffective methods to avoid and remediate abuses in global supply chains. Following the literature review in chapter one, the interviews confirm that CSR is an ever-changing concept. The findings also show the ways in which CSR is changing from the perspective of the interviewees. This next section shows that this change has consequences for the way in which organisational legitimacy is questioned and maintained.

## **6.5 Legitimising Myths and the Contestation of Corporate Social Responsibility**

Chapters four and five discuss two main developments that are currently challenging the existing practices to address child labour in global supply chains. Chapter five discusses the influence of the UNGPs, which seek to overcome the dichotomy between voluntary and binding approaches to the social responsibilities of companies. A second development is discussed in both chapters, and concerns the increased uptake of multistakeholder initiatives. These initiatives mark a shift from adversarial approaches of CSOs that are meant to inflict reputational damage onto companies, towards collaborative strategies in addressing child labour. After establishing the conventional corporate approaches to child labour, the following

paragraphs will identify hierarchy-enhancing and hierarchy-attenuating myths which respectively serve to maintain or contest the CSR paradigm and associated practices.

The literature and the interviews with CSO respondents show that the conventional approach to child labour in global supply chains involves companies taking a reactive and paternalistic approach to this issue. Without relying on stakeholder consultation, codes of conduct and social auditing are meant to address child exploitation. Child labour is therefore not regarded as an issue by companies until they are connected to it. This means that child labourers are non-stakeholders until child labour is discovered. In instances where companies uncover child labour, child labourers are subject to discretionary CSR, which occurs at the discretion of corporate managers. However, the UNGPs prompt a move away from these reactive approaches. They emphasise proactive risk management in the guise of human right due diligence, while multistakeholder initiatives emphasise cooperation between stakeholders. The shift from the code of conduct and social auditing-based approach towards due diligence and multistakeholder collaboration can be characterised as a move away from reactive and paternalistic corporate views on child labour towards proactive and pluralistic strategies.

A prominent hierarchy-enhancing myth expressed repeatedly in the interviews is the notion that companies and industries can successfully self-regulate. CSO representatives describe this as “more about industry window dressing rather than anything of real substance”. Interviewees furthermore argue that the concept of supply chain “tiers” is often misused by businesses to limit their responsibility “to the first tier or the second tier or something like that”. This constitutes another hierarchy-enhancing myth, whereby companies argue they should not or cannot be held responsible for abuses further up the supply chain. In addition, companies often frame child labour as children working, and define risk as reputational risk rather than risk to human rights. Finally, the emancipatory power of business and the good that companies can do is a hierarchy-enhancing myth. Interviewee #3: “In CSR there was traditionally a big emphasis on the positive impacts and the good that business could do. The [UNGP]s are about the adverse impacts on human rights that business do. That was a big shift.”

A key hierarchy-attenuating myth expressed by CSOs is the need for legal mechanisms or internationally agreed upon regulatory frameworks to keep companies in check. Interviewee #6: “I don't think that voluntary schemes that aren't underpinned by law ultimately work”. In addition to legal and otherwise publicly enforceable frameworks, CSOs contend that companies need to take a proactive approach by focusing on preventing labour and human rights abuses. This view clearly breaks with the conventional CSR paradigm. Furthermore, CSOs argue that holistic and contextual approaches are required to effectively address issues in supply chains. In the context of child labour, this means considering factors such as freedom

of association and paying a living wage. In addition, approaches need to “be industry specific ... [instead of] one size fits all” [Interviewee 10]. A final hierarchy-attenuating myth manifests in CSOs arguing for pluralistic strategies and stakeholder inclusion. Approaches are not deemed legitimate “as long as there's no worker participation [and] no say of the workers – or the communities” [Interviewee 2].

Overall, the hierarchy-attenuating myths demonstrate that the dominant CSR paradigm is being contested by the UNGPs and multistakeholder initiatives. The persistence of hierarchy-enhancing myths reveals the efforts to maintain the CSR paradigm. In the context of organisational legitimacy, the hierarchy-attenuating myths suggest that the onus increasingly lies on companies to prove what they are doing right, rather than laying with stakeholders to show what companies are doing wrong. This suggests that companies are expected to more proactively manage their organisational legitimacy. The UNGPs aim to provide a legal basis for corporate accountability in transnational settings by moving beyond the dichotomy between voluntarism and legalistic approaches, the distinction between “state duties to protect” and “corporate responsibilities to respect”. This implies that companies are not expected to assume the role of the state. Therefore, although CSOs are optimistic about the potential of the UNGPs to cause substantial changes in approaches to child labour, as it reaffirms the role of the state to a degree, voluntary and self-regulatory approaches seem to remain a key aspect.

In this context, it is important to remember that John Ruggie had to commit “normicide” after being appointed as the United Nations’ Special Representative on Business and Human Rights: there was little hope to gather support from UN member-states to establish binding human right norms that imposed state-like duties onto businesses at the level of international law. Ruggie therefore developed the UNGPs, which seek to find a common ground between the legal frameworks of states and the CSR agendas of companies, while providing disadvantaged stakeholders an opportunity to seek recourse. The UNGPs, and laws such as the Modern Slavery Act in the United Kingdom and in Australia, can be seen as efforts to re-anchor corporate accountability for social issues in the law. From an organisational legitimacy perspective, this means that it reaffirms the state as an active audience with whom companies must affirm their legitimacy. From the perspective of CSOs, this means that they have another audience they can alert to perceived illegitimate corporate activities in global supply chains.

## **6.6 Multistakeholder Initiatives: Legitimate Practice or Reciprocal Myth?**

Chapters four and five show that CSOs increasingly develop strategies beyond their traditional naming-and-shaming tactics. This is evident in the increased participation in multistakeholder initiatives. Donaghey et al. (2014) argue that while research into multistakeholder partnerships

is ongoing, interpretations are often incomplete and fail to consider the wide range of actor motivations. Apart from judging organisational legitimacy, chapter six shows that CSOs also judge the legitimacy of multistakeholder initiatives. For example, they judge the underlying norms, processes and the outcomes of these initiatives. “[We] also withdrew from the International Cocoa Initiative [...] as long as it's a closed circuit, self-regulating system [...] it's not necessarily what we want to invest our time in”. The existence of normative-ethical and political-strategic tensions identified in chapter six suggests that partnerships can take different forms. From the perspective of interviewees they can take a substantive form and provide a way for groups to collaborate and solve issues, yet they can also take on a symbolic form where companies engage so that they are seen to address an issue. The latter form is intended to contribute positively to organisational legitimacy. The literature confirms that multistakeholder initiatives are not always genuine in their intent, as the deliberate inclusion of weaker CSOs in can make it easier for companies to gain the upper hand (Dentoni & Peterson, 2011).

Chapter five shows that partnerships between companies and CSOs are subject to challenges that can undermine the input and output legitimacy of these initiatives. I suggest that many of the tensions in multistakeholder initiatives reflect the dynamics around organisational legitimacy and CSR as a corporate legitimisation tactic. For example, chapter five identifies that reputational risk often forms a key motivation for companies to engage with CSOs and other stakeholders. This marks a political-strategic rather than a normative-ethical incentive to participate in multistakeholder initiatives. Companies can therefore have instrumental rather than moral incentives to join, while the interviews suggest that for CSOs participation is focused on addressing stakeholder concerns. Chapter six concludes that these different motivations can undermine multistakeholder initiatives. This claim is supported by research which points out that different perspectives on firm-CSO collaboration can cause considerable challenges in achieving outcomes. Where shared perceptions and goals result in more effective partnerships, diverging perceptions have the opposite effect (Lucea, 2010).

Multistakeholder participants also have different views on the standards that they believe should form the basis of approaches to child labour. Chapter six shows that CSOs assign a key role to international standards and national legislation. For them it is vital to use these frameworks to define concepts such as child labour and risk. Companies on the other hand often deviate from these standards and use their own definitions. For example, they would frame child labour as children working, and define risk as reputational risk instead of human rights risk. Apart from input legitimacy, the output legitimacy of multistakeholder partnerships is characterised by tensions around standards. For example, CSOs only regard supply chain auditing to be legitimate in case there is a multistakeholder body accrediting these audits. In

addition, while CSOs are focused on so-called enabling rights (facilitating labour rights such as freedom of association and collective bargaining), companies prefer private codes or standards as outcomes of multistakeholder initiatives. Simply put, CSOs prefer mandatory over voluntary measures, while companies prefer voluntary and self-regulatory approaches. Lastly, CSOs have doubts about corporate incentives to implement agreed upon standards, as companies often agree to certain standards as a means to knock out competitors. This corporate use of multistakeholder standards as a competitive tool again suggests an instrumental motive.

A final and overarching challenge for multistakeholder initiatives results from bracketing Habermas' idealising presuppositions in favour of the politicised version of discourse ethics, as discussed in chapter six. Simply put, what does a multistakeholder initiative become if participants use expressions differently (such as risk and child labour), if arguments are suppressed or excluded (by not including all relevant stakeholder groups, or intentionally including weaker ones), and if participants are not motivated by a concern for the better argument (when companies have instrumental rather than moral incentives)? I contend that bracketing Habermas' idealising presuppositions can result in multistakeholder initiatives becoming a reciprocal myth. As discussed in chapter two, reciprocal myths assert that dominant and marginalised groups are in fact equal. I contend that the existence of the normative-ethical and political-strategic tensions can result in multistakeholder initiatives becoming purely symbolic partnerships, in which companies participate on the basis of instrumental motives. This creates a false notion that stakeholders and their interests, are being treated equally.

## **6.7 Conclusion: A Critical Approach to Corporate Social Responsibility and Legitimacy**

This research critically explores CSR and organisational legitimacy. Against the backdrop of global supply chains and the scale of labour exploitation associated with this mode of production, this research has two overarching objectives. First, to explore why CSR has not resulted in structural improvements to working conditions in global supply chains. Second, to examine to what extent legitimacy theory can adequately explain this failure and how this theory can be expanded to increase its explanatory power. This research finds several flaws of current approaches to supply chain labour abuses. It shows that companies such as Apple are able to manage legitimacy threats, exposed by CSOs, by taking largely symbolic instead of substantive measures. I explain that while reputational damage campaigns by CSOs are a useful short-term tactic, they do not comprise an effective long-term strategy to improve labour standards. Companies nevertheless continue to unfold voluntary and self-regulatory initiatives.

Legitimacy is a useful concept in explaining stakeholder dynamics around CSR. In chapter three it describes how CSOs and the media expose exploitation in Apple's supply

chain, how Apple's image is used to effectuate change, how Apple and its suppliers respond, how new abuses in supply chains come to light, and so on. Legitimacy does not explain *why* this cycle of failure repeats itself. I have put forward a theoretical expansion which enables a better explanation of the Apple scenario, and of CSR approaches to supply chain abuses more broadly. I suggest that the reason why this flawed approach continues is because the principles that underpin the CSR paradigm have not been successfully contested. That is, there is an ongoing belief among companies and stakeholders that markets can balance social, environmental, and financial interests. Relatedly, there is an ongoing belief that stakeholders can bestow and revoke the so-called "social license to operate". I argue that both notions constitute legitimising myths that uphold the CSR paradigm and maintain the status quo in the favour of companies at the detriment of disadvantaged stakeholders.

The use of legitimising myths advances the analysis of stakeholder dynamics in addressing supply chain labour abuses. In the context of this research it exposes and explains the struggle to challenge or maintain the CSR paradigm. Generally, it expands the explanatory power of legitimacy as a theoretical construct. Chapter two has shown that legitimacy is shaped within a wider beliefs system. I argue that legitimising myths exist within that beliefs system, and are used to uphold or challenge taken-for-granted notions. When considering the social and environmental responsibilities of companies, the idea that the market can balance corporate and stakeholder interests, and that stakeholders can bestow and revoke the so-called "social license to operate" uphold the current CSR paradigm. This means that it is commonly accepted that companies engage in corporate voluntarism and self-regulation in addressing social and environmental issues. The Apple case study has shown the flaws of the CSR paradigm, the existence of legitimising myths explains why this flawed approach persists.

In looking at how the CSR paradigm is changing, I examine the influence of the UNGPs and the increase in multistakeholder partnerships in addressing supply chain labour exploitation. Based on the perspectives of CSOs, chapters four and five described hierarchy-enhancing and hierarchy-attenuating legitimising myths, which respectively uphold and contest the status quo. The findings suggest that progressive approaches are characterised by companies engaging with a broad range of stakeholders, taking a contextual and holistic approach, and by focusing on prevention and remediation. Innovative strategies are marked by a move away from reactive and paternalistic approaches by instead adopting proactive and pluralistic strategies. While these advances constitute hierarchy-attenuating myths, which indicate that changes to the CSR paradigm and in approaches to supply chain abuses may be on the horizon, this research also reveals the existence of persistent hierarchy-enhancing legitimising myths that aim to maintain the CSR paradigm.

Many of the normative-ethical and political-strategic tensions in multistakeholder initiatives reflect the hierarchy-enhancing and hierarchy-attenuating myths that are used to maintain or contest the CSR paradigm. In considering the promises and pitfalls of multistakeholder initiatives, I therefore suggest that this innovative approach faces challenges similar to conventional CSR strategies. In particular, the different views that companies and CSOs have on legitimacy can undermine the effectiveness of multistakeholder initiatives: as companies view legitimacy as a resource, they may thus have instrumental rather than normative motivations for collaborating with CSOs. Consequently, while multistakeholder partnerships can take a substantive form and provide a way to solve labour exploitation, they can also take on a symbolic form where companies engage merely to enhance their legitimacy. In those instances multistakeholder initiatives can create a false notion that companies and their stakeholders, and their interests, are treated equally. In such instances multistakeholder initiatives perpetuate a reciprocal myth. Overall, by introducing legitimising myths as a theoretical concept in a management context, this research shows that we need to rethink how organisational legitimacy can be questioned, how companies manage threats to legitimacy, how companies can be held accountable by stakeholders, and whether decreased legitimacy translates to ramifications.

## **6.8 Limitations and Further Research**

To enable a more detailed analysis of CSR and organisational legitimacy, the empirical basis of this study can be expanded by including the perspectives of as companies, governments, suppliers, and workers. Broadening the inquiry can also help to ascertain whether the trends identified in this study are observable across different supply chains, in different industries and regions, and in relation to various different human rights issues. Furthermore, the examples of dialogue and collaboration provided by respondents in this research have not been recorded in situ, and are thus anecdotal rather than empirical. Future research could therefore attempt to directly observe collaboration in multistakeholder initiatives, in order to determine whether normative-ethical/political-strategic tensions occur in across different partnerships. Such studies could help to determine whether legitimising myths are observable in other settings, and therefore add to the validity of the findings presented in this thesis.

Further research could also inquire into the existence of other potential legitimising myths that uphold the CSR paradigm. For example, research could look into the existence of the “ethical consumerism” and “ethical certification”. Does the ethical consumer exist, and if so, does this cohort achieve a critical mass to make companies change to more sustainable business practices? The Apple case study shows that the company’s sales were not affected by



the abuses in the supply chains. Each new Apple product is accompanied by excitement at their announcement and long queues outside Apple stores during their launch. It may be imagined that for Apple's main demographic, cosmopolitan city dwellers and young people who are well-educated, human rights and labour practices would be significant matters. However, there is little indication of any consumer action or concern about what is happening in Apple's supply chain. Future research could therefore look into the dynamics behind ethical consumption, such as the motivations of consumers to buy or ignore ethical and unethical products.

Furthermore, what are the incentives of companies to introduce ethical branding and products? And do claims about ethical certification stack up? A 2018 study involving interviews with more than 120 tea and cocoa workers, and a survey of over 1,000 tea and cocoa workers from 22 tea plantations in India and 74 cocoa communities in Ghana, found that ethical certification schemes are failing to create environments that are free from exploitation and forced labour. The report found little difference in conditions on certified and non-certified sites: all surveyed workers lived below the poverty line, while workers on certified farms were often treated worse, facing beatings, sexual violence and having wages withheld (Chaudhry & Guilbert, 2018). In seafood supply chains, which are plagued with social and environmental issues, researchers examined 203 samples from 12 key targeted species collected from various importers, processing plants and retailers. The findings revealed 32% of the samples were mislabelled. The mislabelling rate was 17.6% at the import stage, 27.3% at processing plants and 38.1% at retailers (Shehata, Bourque, Steinke, Chen, & Hanner, 2018).

A critical look at the (lack of) ethical consumerism and (the flaws of) ethical certification in the context of CSR and global supply chains may therefore also be warranted. If ethical consumers are indeed lacking, and if ethical certification is frequently found to be flawed, then we may have identified two more legitimising myths that uphold the current CSR paradigm. After all, if consumers as stakeholders are largely ambivalent towards the actions of companies, or do not constitute a critical mass, then organisational legitimacy cannot be threatened to the degree that is commonly assumed. Similarly, if ethical certification of products by industry and multistakeholder bodies is fundamentally flawed, then it is arguable that this practice constitutes a legitimising myth that enables companies to continue to manage their organisational legitimacy by unfolding voluntary and self-regulatory initiatives. In other words, the assumption that ethical consumerism and ethical certification contribute to the improvement in working conditions in global supply chains may be incorrect.

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