

A Strategic Management Perspective on Transnational Private Regulation:
Theory and Evidence from the Global Apparel Industry

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ABSTRACT

Global production chains that span developed and developing countries have simultaneously exacerbated social and environmental issues and eroded governments' regulatory capacity. Non-government organizations (NGOs) and corporations have responded by forming a variety of transnational private regulatory coalitions to create voluntary codes of conduct, sustainability standards, and certification schemes. The two most common coalitional forms are multi-stakeholder initiatives (MSIs), comprising NGOs and corporations, and business-led initiatives (BLIs), composed exclusively of corporations. Despite the prominence of these private regulatory coalitions, we know little about their non-market strategies and the contentious interactions between these two forms of private regulation. This thesis studies the strategic and organizational dimensions of transnational private regulation from a longitudinal, multi-level perspective, explaining why and how it has evolved into a fragmented system characterized by movement-counter-movement dynamics. It provides answers to two questions: why do firms adopt different coalitional strategies in response to similar socio-political pressures, and what strategies do MSI and BLI coalitions employ? The research setting is the development of private regulation in the global apparel industry. Using an inductive, longitudinal, comparative research design, I study successive cycles of contention and collaboration within and between political coalitions attempting to address sweatshop concerns.

The findings of this thesis challenge the prevailing view that reputational risk and legitimacy concerns explain the choice of coalitional partner and the coalition's strategies. They reveal that a firm's position in the network of global supply chains and its prior participation in collaborative initiatives leads to differences in firm exposure, perception and response to reputational risks arising from activist and government pressures. In addition to reputational risk, firms are subjected to numerous other risks including operational and trade regulation risk, which may be more salient to some firms. Consequently, the differential impact of each set of risks needs to be considered from a holistic rather than isolated perspective. This thesis also reveals how firms' market strategies underpin the heterogeneous non-market strategies employed by private regulatory coalitions and provides an explanation for the growing dominance of BLIs in the governance of global supply chains. Findings suggest that BLI strategies are focused on leveraging existing business associations and networks as a means of facilitating large-scale

collective action. Doing so allows them to develop credibility based on a framing strategy that emphasizes their ability to provide harmonized, large-scale solutions that deal with existing regulatory fragmentation, rather than trying to emulate MSI's more inclusive, transparent approaches. Contrary to much of the literature on firm-NGO collaboration and MSIs, I find that BLI strategies are predominantly directed at governments rather than civil society. Moreover, I also find that it is the regulatory fragmentation resulting from MSI strategies that inadvertently provides the political opportunity for BLIs to develop their strategic approach. In sum, these findings uncover strategic drivers and organizing mechanisms unexplored in current research and point to the need to complement and extend existing explanations of firm responses to activist pressures that emphasize firm reputation. This thesis also contributes to practice and policy by providing greater clarity and guidance to firms, NGOs, and policy-makers concerned with the regulatory complexity increasingly characterizing global supply chains and the legitimacy of the private regulatory solutions.

RÉSUMÉ

Les chaînes de production mondiales des pays développés et en développement ont à la fois exacerbé les problèmes sociaux et environnementaux et érodé la capacité de réglementation des gouvernements. En réponse, les organisations non-gouvernementales (ONG) et les entreprises ont formé des coalitions privées transnationales de réglementation afin de formuler des codes de conduite volontaires, des normes de durabilité et des systèmes de certification. Les formes de coalition les plus répandues sont les initiatives multipartites (MSI, multi-stakeholder initiative), formées d'ONG et d'entreprises, et les initiatives menées par des entreprises (BLI, business-led initiative), composées d'entreprises. Malgré leur importance, les stratégies hors marché et les interactions litigieuses entre ces formes de réglementation privée sont mal connues. La présente thèse étudie les dimensions stratégiques et organisationnelles de la réglementation privée transnationale dans une perspective longitudinale à plusieurs niveaux, expliquant pourquoi et comment elle a évolué en système morcelé caractérisé par une dynamique de mouvement-contre-mouvement. Elle répond à deux questions : pourquoi les firmes adoptent-elles différentes stratégies de coalition en réponse à des pressions socio-économiques semblables, et quelles stratégies sont employées par les MSI et les BLI ? À l'aide d'un modèle de recherche inductif, longitudinal et comparatif, j'étudie le développement d'une réglementation privée dans l'industrie mondiale du vêtement en réponse aux ateliers de misère, et notamment les cycles successifs de conflit et de collaboration au sein des coalitions politiques, et entre elles.

Mes constats remettent en question le point de vue dominant, qui veut que le risque de réputation et les préoccupations de légitimité expliquent le choix du partenaire et des stratégies de la coalition. Ils révèlent que la position d'une firme dans le réseau des chaînes d'approvisionnement mondiales, ainsi que sa participation antérieure à des initiatives de collaboration, mènent à des différences d'exposition, de perception et de réponse au risque de réputation découlant des pressions de militants et de gouvernements. Certaines firmes accordent plus d'importance à de nombreux autres risques, dont le risque opérationnel et celui découlant des réglementations commerciales. L'impact différentiel des divers risques doit donc être évalué dans une perspective holistique plutôt qu'isolée. Ma thèse révèle aussi comment les stratégies de marché des firmes sous-tendent les stratégies hors marché hétérogènes des coalitions de réglementation privées, et explique la dominance croissante des BLI dans la gouvernance des chaînes d'approvisionnement mondiales. Mes constats suggèrent que les stratégies des BLI visent

à optimiser les associations et réseaux d'affaires existants, afin de faciliter l'action collective à grande échelle. Ainsi, les BLI étayent leur crédibilité en misant sur leur capacité à résoudre la fragmentation réglementaire actuelle à l'aide de solutions d'envergure et harmonisées, plutôt que de tenter d'imiter les démarches plus inclusives et transparentes des MSI. Contrairement à bien des études sur les MSI et la collaboration entre les firmes et les ONG, je constate que les stratégies des BLI visent les gouvernements plutôt que la société civile, et sont favorisées par la fragmentation réglementaire découlant des stratégies des MSI. Mes constats dégagent des leviers stratégiques et des mécanismes d'organisation encore peu explorés, et soulignent le besoin de chercher de nouvelles explications aux stratégies des firmes qui répondent aux pressions des militants en accentuant leur réputation. Ma thèse contribue aussi à la pratique et aux politiques en orientant les firmes, les ONG et les décideurs politiques préoccupés par la complexité réglementaire croissante des chaînes d'approvisionnement mondiales et la légitimité des solutions de réglementation privées.

For Irena, Gabriel, and Sabina

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It is customary when writing acknowledgements to state that any act of writing is a collective effort. When reading acknowledgements in books and theses, such “thank-yous” had sometimes struck me as a little cliché. But as I now understand, which is demonstrated by the length of my acknowledgements, they are nothing of the sort...

My heartfelt thanks go to my doctoral co-supervisors, Henry Mintzberg and Paola Perez-Aleman, whom I was fortunate enough to have as my guides on this academic journey. Their patience with my glacial progress and diligence in reading multiple drafts of woefully preliminary analysis is greatly appreciated. They gave me the time and space to make sense of the deluge of data I had collected and clearly communicated their confidence that I would make a valuable contribution. I consider Henry and Paola mentors who have taught me a great deal, including much about academic writing. “Writing is rewriting” I would often hear them say – shorthand for saying that you must commit yourself to an iterative process of reflection, testing of ideas, self-evaluation, rewriting and repeating. Likely an obvious point to successful scholars, rewriting did not come naturally to someone who, after a decade of writing strategic analysis and project plan “deliverables”, believed that rewriting was proof that you had not done it properly the first time. I came to realize -- with some nudging -- that crafting insightful and impactful contribution requires a much more iterative and collaborative process.

Nowhere did I see this more clearly than working for Henry as a research assistant on his recent *Rebalancing* book, which provided an insider’s perspective on some of what it takes to become... well, to become Henry Mintzberg. He had been collecting articles, reading on the topic, thinking, discussing and refining his argument for nearly 30 years! His work ethic left me in awe - I lost count of how many revisions he wrote and how many times he presented and discussed drafts, all in an effort to refine his arguments. In a clear display of his lack of ego and commitment to outstanding scholarship, he would contemplate all comments and criticisms, solicited or not, regardless who was voicing them or how many times he had heard a similar point. Henry has left an indelible imprint on my understanding of what it takes to be a scholar – which I suppose is only fitting, seeing as it was a result of speaking to him over a number of years that I came to realize I had an interest in doing a PhD.

I am also grateful to Ann Langley, who as the external member of my committee, always found time in her incredibly demanding schedule to read and offer feedback. Her commitment to

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PREFACE

The idea for this research project first surfaced during a conference on the topic of corporate social responsibility (CSR) in developing countries, which I co-organized with Peter Utting at the United Nations in Geneva, a few years before starting my doctoral studies. One of the keynote speakers, Aurret van Heerden, a prominent workers' rights activist, who was President and CEO of the Fair Labor Association (FLA) at the time, introduced his talk as follows:

I would also like us to talk a little bit this afternoon about CSR as distinct from CR. I think a lot of the discussions today are actually about describing corporate responsibility, initiatives where the company decided what it needed to take responsibility for, the company decided how it takes responsibility, decided who their partners would be, and they decided to what extent they were willing to be transparent. Most of them not transparent at all. I would like us to ask where the S come into this equation? If we talk about Corporate Social Responsibility who represents that S and to what extent is that S integral to the CSR initiative? In other words, can you pick and choose your interlocutors... your partners? Or are you obliged to take the partners that society wants to see represented, partners who are the most representative, most legitimate in that particular sphere of social endeavor? To whom are they gonna be accountable? And if you want to be truly sustainable, where is the stewardship of that CSR programme? And where is it going to lie? Is it lying with a local stakeholder network? Or, does it lie with the company? I am hoping that the speakers this afternoon will grapple a little bit with these issues further on the supply chain.

(van Heerden, UNRISD conference, Geneva, 2007)

Unfortunately, our conference discussions didn't shed much light on his questions that afternoon. But for me, Aurret's intervention provided a moment of clarity and concision in what were often difficult and frustrating attempts to grapple with the concept of CSR during numerous conversations, presentations and discussions at the UN, the ILO and university lecture halls. Aurret's questions were like a laser pointer: *Can you pick and choose your interlocutors... your partners? Or are you obliged to take the partners that society wants to see represented, partners who are the most representative, most legitimate in that particular sphere of social endeavor? To whom are companies accountable?* In many ways, this thesis is my attempt to finally answer his questions. Earlier this year, I had the pleasure of attending a workshop at the University of Connecticut School of Business, where Aurret was once again the keynote speaker. This gave us the opportunity to catch up and discuss my findings. Better late than never I suppose...

*José Carlos Marques
Montreal, November 2016*

CONTENTS

ACKNOWLEDGEMENTS	vi
PREFACE	viii
LIST OF FIGURES	xii
LIST OF TABLES	xii
ABBREVIATIONS	xiii
 CHAPTER 1: INTRODUCTION AND OVERVIEW	 1
Background	1
Literature	3
Research questions and analytical approach	6
Overview of findings	7
Question 1: Why do firms adopt different coalitional strategies in response to similar socio-political pressures?	7
Question 2: What strategies do MSI and BLI coalitions employ?	9
Outline	12
 CHAPTER 2: LITERATURE REVIEW AND RESEARCH QUESTIONS.....	 13
Introduction.....	13
The phenomenon of global private regulation	13
The democratic deficit.....	16
Regulatory proliferation and fragmentation	18
The organization of private regulation: MSI and BLI coalitions	20
Multi-stakeholder initiatives (MSIs)	20
Business-led initiatives (BLIs)	24
New directions in transnational private regulation	29
From theorizing convergence to examining proliferation and divergence.....	29
Understanding BLI coalitions as central actors.....	31
Examining BLIs as countermovements.....	32
Research Objectives.....	34
Research Questions	34
Analytical Framework.....	37
 CHAPTER 3: RESEARCH SETTING AND METHODS	 40
Introduction.....	40
Empirical Setting	40
Industry scale and importance to national development strategies	40
The global apparel supply chain's production structure.....	42
Description of labor issues: Life inside a sweatshop	44
Historical context – national regulation and intergovernmental frameworks	46
Globalization, modern-day sweatshops and the emergence of private regulation	48
Framing the research setting in time and space.....	50

Suitability for research objectives	51
Methods	53
Research Strategy	53
Research Design	55
Data collection	56
Data challenges	61
Ensuring credibility	63
Data Analysis	63
 CHAPTER 4: WHAT? PRIVATE REGULATORY MOVEMENTS AND COUNTERMOVEMENTS IN THE GLOBAL APPAREL INDUSTRY (1988-2012).....	66
Introduction.....	66
Phase 1 (1990–1997): The anti-sweatshop movement takes shape	68
Trade liberalization and economic integration	68
The anti-sweatshop movement takes shape in the U.S. and Europe	70
U.S. Government takes action.....	72
Firm-level corporate responses: Corporate codes of conduct	74
Phase 2 (1997–1999): MSIs resulting from the anti-sweatshop movement.....	76
Anti-sweatshop movement delegitimizes firm-level reporting	76
Labor and human rights agendas clash in U.S.	77
Ethical trade and labor rights agendas gain ground in Europe	78
Corporate coalitional responses: Some firms co-found MSIs	79
Phase 3 (1999-2004): Escalating threats to global trade and the BLI countermovement	80
Anti-globalization protests	80
EU-specific trade threats: Proposals for pan-European regulation	82
U.S.-specific trade threats: The “War on Drugs” and the “War on Terror”	84
Corporate coalitional responses: Some firms co-found BLIs.....	86
Anti-sweatshop movement attempts to delegitimize BLIs.....	87
Phase 4 (2004-2012): Dealing with private regulatory proliferation	88
Audit fatigue sets in.....	88
MSI responses to audit fatigue problem.....	89
BLI responses to the audit fatigue problem.....	90
Chapter summary and conclusion	92
 CHAPTER 5: WHY? MARKET STRATEGIES DRIVING MSI AND BLI FORMATION.....	95
Introduction.....	95
1. MSI drivers.....	96
1.1 Coalitional characteristics	96
1.2 Business strategies of brand companies and specialized retailers	102
1.3 Risk Profile of brand companies and specialized retailers	104
1.4 Resulting approach to labor standards.....	106
2. BLI drivers	107
2.1 BLI coalition characteristics.....	107
2.2 Business strategies of global retailers	114
2.3. Risk profiles of global retailers	120
2.4 Resulting approach to labor standards.....	123

CHAPTER 6: HOW? MSI AND BLI COALITIONAL STRATEGIES	127
Introduction.....	127
1- MSI strategies (framing).....	128
1.1. Credibility through democracy.....	128
1.2 Progress through innovation and learning.....	130
1.3 Effectiveness through rigorous standards and local engagement.....	132
2- MSI strategies (organization)	133
2.1 Mobilization via partnership with CSR leaders	133
2.2 Scale shift – recruitment via market mechanisms	135
3. MSI strategies (outcomes)	139
3.1 Stagnation and attempts at strategic reorganization	139
4. BLI strategies (framing).....	142
4.1 Credibility through representational authority	142
4.2. Progress through management systems.....	144
4.3. Effectiveness through harmonization	146
5. BLI strategies (organization)	148
5.1. Mobilization by leveraging existing resources.....	148
5.2. Scale shift by recruiting from supply chains	150
BLI strategies (outcomes)	152
6.1 Consolidation via apex-positioning.....	152
 CHAPTER 7: A SUMMARY OF FINDINGS, CONTRIBUTIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH	 156
Introduction.....	156
Question 1: Why do firms adopt different coalitional strategies in response to similar socio-political pressures?	157
Summary of findings.....	157
Contributions.....	160
Question 2: What strategies do MSI and BLI coalitions employ?	164
Summary of findings.....	164
Contributions.....	167
Transferability, limitations and future research	172
Transferability to other industries	173
Transferability to other contexts	174
Other implications for future research.....	175
Contributions to practice and policy	176
Implications for companies	176
Implications for policymakers.....	178
Implications for NGOs.....	179
 REFERENCES	 182
 Appendix A - Forbes’ the World's Most Valuable Brands 2010	 217
Appendix B – Interview guide (generic version used for MSI/BLI interviews).....	218

LIST OF FIGURES

Figure I - Typology of transnational private regulatory initiatives.....	16
Figure II - Research questions	36
Figure III - Timeline of private regulatory initiative foundings	50
Figure IV - Suitability for research objectives.....	52
Figure V - Research design.....	56
Figure VI - Evolution of private regulation in context	67

LIST OF TABLES

Table 1 - Global apparel supply chain – private regulatory initiatives	50
Table 2 - Data sources.....	58
Table 3 - MSI initiatives	80
Table 4 - BLI initiatives	86
Table 5 - Responses to the audit fatigue problem.....	91
Table 6 - Data structure concerning antecedents of MSI and BLI formation.....	95
Table 7 - Pre-MSI working groups	97
Table 8 - MSI Founding coalitions	98
Table 9 - MSI configurational differences.....	102
Table 10 - Comparison of MSI approaches to labor standards.....	107
Table 11 - BLI founding coalitions.....	108
Table 12 - BLI founding members.....	108
Table 13 - World's largest retailers in 2005	114
Table 14 - Wal-Mart customer segments.....	115
Table 15 - Data structure for MSI and BLI strategies	128
Table 16 - BLI emphasis on scale.....	143
Table 17 - BLIs and the business associations that launched them	149

ABBREVIATIONS

AAFA:	American Apparel & Footwear Association
AAMA:	American Apparel and Manufacturers Association
AIP:	Apparel Industry Partnership
BLI:	Business-led initiative
BSCI:	Business Social Compliance Initiative
CAFOD:	Catholic Agency for Overseas Development
CCC:	Clean Clothes Campaign
CEREAL:	Centro de Reflexión y Acción Laboral
COC:	Code of Conduct
CSP:	corporate social performance
CSR:	corporate social responsibility
DFID	Department for International Development (UK)
EICC:	Electronic Industry Citizenship Coalition
EITI:	Extractive Industries Transparency Initiative
EPZ	Export Processing Zone
ETI:	Ethical Trading Initiative
EU:	European Union
FLA:	Fair Labour Association
FWF:	Fair Wear Foundation
FSC:	Forest Stewardship Council
GeSI:	Global e-Sustainability Initiative
GSCP:	Global Social Compliance Program
GRI	Global Reporting Initiative
ICCR:	Interfaith Centre on Corporate Responsibility
ICFTU:	International Confederation of Free Trade Unions
IFC:	International Finance Corporation
IGO:	Intergovernmental organization
ILO:	International Labor Organization
IMF:	International Monetary Fund
ISO:	International Standards Organization

ISEAL:	International Social and Environmental Accreditation and Labelling
ITGLWF:	International Textile, Garments and Leather Workers' Federation
ITUC:	International Trade Union Confederation
IUF:	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Association
JO-IN:	Joint Initiative on Accountability and Workers' Rights
MNE:	multinational enterprise
MSC:	Marine Stewardship Council
MSI:	Multi-stakeholder initiative
NGO:	Non-governmental organization
NSMD:	Non-state market-driven
OECD:	Organisation for Economic Cooperation and Development
SA8000:	Social Accountability 8000
SACOM:	Students and Scholars against Corporate Misbehaviour
SAI:	Social Accountability International
SEDEX :	Supplier Ethical Data Exchange
SOMO:	Stichting Onderzoek Multinationale Ondernemingen (Centre for Research on Multinational Corporations)
UN:	United Nations
UNDP:	United Nations Development Programme
UN-ITU:	United Nations International Telecommunications Union
UNIDO:	United Nations Industrial Development Organization
UNCTAD:	United Nations Conference on Trade and Development
USAID:	United States Agency for International Development
USAS:	United Students Against Sweatshops
WBCSD:	World Business Council for Sustainable Development
WRAP:	Worldwide Responsible Accredited Production
WRC:	Worker Rights Consortium
WSSD:	World Summit on Sustainable Development
WTO:	World Trade Organization

CHAPTER 1: INTRODUCTION AND OVERVIEW

Given our prominent share in the globalization process, G7 countries have an important role to play in promoting labour rights, decent working conditions and environmental protection in global supply chains.... To enhance supply chain transparency and accountability, we encourage enterprises active or headquartered in our countries to implement due diligence procedures regarding their supply chains, e.g. voluntary due diligence plans or guides. We welcome international efforts, including private sector input, to promulgate industry-wide due diligence standards in the textile and ready-made garment sector... Moreover, we will strengthen multi-stakeholder initiatives in our countries and in partner countries, including in the textile and ready-made garment sector...

- G7 Leaders' Declaration, Germany Summit, 7-8 June 2015

BACKGROUND

The economic globalization of recent decades has been a double-edged sword. On the one hand it has permitted considerable efficiencies in production, lowering the price of nearly all consumer goods and putting them within reach of most of the world's customers. The shift in production to the developing world has allowed numerous countries to develop both economically and socially, lifting millions out of poverty by providing them with employment opportunities. On the other hand, in many cases it has failed to live up to its development promises, and worse, it has fueled the abuses and negative outcomes that can sometimes result from shifts in capitalist production. The evidence has been splashed across our newspapers. Over the last few years alone, we have read about how the Bangladeshi workers who make our clothes perished as the factories where they worked burned and collapsed with them trapped inside. We have also read about how the Chinese workers who make our cell phones committed suicide as a protest against the inhumane and exploitative working conditions they were subjected to on a daily basis. There have also been stories about how a sizeable proportion of the metals found in our jewelry and electronic products are mined by child slaves for the benefit of armed paramilitary groups who use the proceeds from the sale of these minerals to fund their fighting in Congo's civil war.

These are some of the stories concerning the labor exploitation connected to global supply chains that have made it into newspapers in recent years. The frequency with which these stories appear has left most consumers desensitized to such issues, even more so because such stories have been a semi-permanent media fixture for several decades now. The governments and

consumers in western countries first heard of sweatshops that exploited the cheap, unskilled laborers in developing countries, many of them children, in the mid-1990s. These initial reports shocked western consumers and triggered numerous activist campaigns and boycotts that served to galvanize a broad social movement intent on pressuring western companies to take accountability for the sweatshop issue. Yet, as the flood of recent stories attest, the resultant efforts by companies, NGOs and governments to deal with the labor abuses in their global supply chains has not yielded positive results.

The inability to deal with these abuses is frequently attributed to the fact that global economic integration has not only exacerbated social issues but also eroded governments' regulatory capacity, leading to what has sometimes been referred to as a "governance deficit" (Newell, 2001, p. 908). This deficit has generally been explained by the inability, and in some cases unwillingness, of governments and inter-governmental organizations (IGOs) to regulate these transnational economic activities. In response, as illustrated by the quote at the beginning of this chapter, the involvement of non-state actors has been promoted as active rule-setters and enforcers, engaging in areas previously considered to be the exclusive domain of governments (Crane et al., 2008; Palazzo & Scherer, 2008; Ruggie, 2003; Utting & Marques, 2009; Walsh et al., 2003). These non-state actors have formed numerous political coalitions to create voluntary codes of conduct, sustainability standards, and certification schemes dealing with labor, environment, governance and human rights issues (Abbott & Snidal, 2009; Brunsson & Jacobsson, 2000; Djelic & Sahlin-Andersson, 2008b).

The rapid rise of this non-state regulation of global supply chains witnessed in recent decades has led to a dizzying array of norms, standards and codes of conduct created to deal with a variety of social and environmental issues in nearly every global industry. This proliferation of standards and codes has itself become a significant policy concern, particularly at the international level. It is suggested that the complexity engendered by these overlapping, sometimes conflicting and competitive non-state regulations has produced a burdensome regulatory tangle that creates confusion, duplication and uncertainty amongst end customers, buyers and suppliers, thereby impeding effective regulatory governance (Bartley, 2010; Black, 2008; Locke, 2013; Vogel, 2010; World Bank, 2003/2004).

Non-state regulatory proliferation has to a large extent been driven by collaborative initiatives between non-government organizations (NGOs) and multinational enterprises

(MNEs). The two most common coalitional forms are multi-stakeholder initiatives (MSIs), partnerships between NGOs and corporations, and business-led initiatives (BLIs), governed exclusively by corporations. MSIs have been singled out by policy makers, activists and academics as the most legitimate and effective form of private regulation (Bernstein & Cashore, 2007; Scherer & Palazzo, 2011; Vogel, 2008). In the absence of a sovereign power to legitimately exercise its regulatory ability, multi-sector collaboration based upon deliberative, transparent rule-making and verification is considered to be a legitimate governance mechanism (Cashore et al., 2004; Dingwerth, 2007; Fung, 2003; Fung et al., 2001; Sabel et al., 2000; Young, 2004; Zürn, 2004). Moreover, the inclusion of actors from different sectors is argued to permit the pooling of resources including tacit knowledge, information and skillsets that lead to more innovative and effective solutions. However, initial expectations of industry-wide regulatory convergence developing around MSIs have not been met. In fact, there are no cases of industry-wide MSI regulation. Instead, BLIs have grown in number and influence (Djelic & den Hond, 2014; Marx & Wouters, 2014; Vogel, 2008) despite the fact that such business-only initiatives are criticized by detractors as illegitimate and ineffective ploys on the part of industry associations to deflect activist and government pressures (Fransen, 2012; Mena & Palazzo, 2012; Sethi, 2011; van Huijstee, 2012). What is more, in the few cases where industry-wide, non-state regulatory convergence has occurred, such as the chemical and electronics industries, it has been around codes or standards developed by BLIs rather than MSIs.

LITERATURE

Private, non-state regulation has attracted the attention of scholars in sub-disciplines ranging from economic sociology (Mayer & Gereffi, 2010), administrative law (Pauwelyn et al., 2012), international relations (Koenig-Archibugi & Macdonald, 2012), governance and regulation (Buthe & Mattli, 2011), through to corporate social responsibility (Brammer et al., 2012), management strategy (Barnett & King, 2008; Lenox & Nash, 2003), development studies (Reed et al., 2012), international business (Christmann & Taylor, 2006) and organization studies (Brunsson et al., 2012). However, to date, most scholarship has been at the level of individual initiatives, focused on either descriptive case studies or quantitative research on the social and environmental performance of participant firms. The research on MSIs and BLIs is highly

fragmented with next to no comparative research. This granular and segmented approach has resulted in a body of knowledge incapable of explaining broader patterns and shedding little light on what can be witnessed empirically.

Surprisingly little is known about why and how private regulatory coalitions are created, the strategies they employ and how they interact (Djelic & den Hond, 2014; Eberlein et al., 2014). The reason, as will be elaborated in the next chapter, is twofold. First, the majority of what we know is based on a few, exceptional cases. Two in particular -- the Forest Stewardship Council (FSC) and the chemical industry's Responsible Care (RC) initiative -- have garnered disproportionate attention from researchers. These cases have generated theories of regulatory convergence, which as will be explained below, does not reflect the current transnational regulatory environment. This is due in part because of when the studies were undertaken (BLIs were not yet formed when some studies of the FSC were published) or because of what appear to be exceptional circumstances (the RC initiative was a response to the Bhopal disaster, the worst industrial accident on record).

A second reason is that the MSI literature is closely coupled with the NGO activism literature which examines successful cases of activist campaigns and corporate boycotts. As such, the level of analysis is restricted to a subset of successful initiatives using a narrow timeframe of firm-NGO interaction (Davis & Anderson, 2008; de Bakker et al., 2013). Current theories point to the reputational risks posed by activist campaigns to MNEs as the main drivers for coalition formation. This literature has suggested that customer-facing, brand-sensitive firms are vulnerable to activist pressures and that this weakness can be leveraged and channeled by NGOs into cross-sector collaborative arrangements (Bernstein & Cashore, 2007; Conroy, 2007; den Hond et al., 2015; Gray & Stites, 2013; Kytte & Ruggie, 2005; Larkin, 2003; Potoski & Prakash, 2009; Rondinelli & London, 2003; Ruggie, 2003; Spar & La Mure, 2003; Yaziji & Doh, 2009). Similarly, the scant research that investigates BLI strategies suggests that successful BLI coalitions mimic MSIs' multi-stakeholder approach as a response to pressures from governments and civil society to be cross-sector initiatives, but that they do so in a decoupled or symbolic fashion, restricting decision-making and governance processes to their member firms (Fransen, 2011b; Gulbrandsen, 2008; Gulbrandsen, 2010). Essentially, the argument is that they are claiming to be MSIs, when in fact they are governed solely by corporations, maintaining

NGOs at arms-length and side-stepping expectations for transparency, deliberation and inclusiveness.

This focus on successful cases using constricted timeframes is problematic because it has resulted in overly-optimistic analyses of the outcomes of firm-NGO collaboration (Davis & Anderson, 2008; Weber & King, 2014) and of the likelihood of regulatory convergence. It has effectively marginalized the analysis of political processes and coalition-building in establishing private regulation, which has resulted in an inability to explain the proliferation of standards and codes of conduct that can be witnessed empirically. Such studies need to be complemented by an understanding of the diversity of firm responses to socio-political pressures driving multiplicity and the increasing dominance of BLI coalitions that can be witnessed in a growing number of industries (Bartley, 2009; Fischer & Lyon, 2014; Fransen, 2011b; Zald et al., 2005). As a result, despite the importance of this phenomenon and the considerable scholarly attention it has attracted, the most salient aspects of global private regulation remain understudied. As Djelic and den Hond observe:

In most industries, fields and arenas, we find multiple standards and standard setting coalitions. Even so, scholars have only barely started to explore this multiplicity and plurality (2014, p. 1).

Consequently, the study of this phenomenon from a more comprehensive perspective has recently been called for by numerous scholars suggesting it is ripe for elaboration from empirical, theoretical and policy perspectives (Brunsson et al., 2012; de Bakker et al., 2013; Djelic & Sahlin, 2012; Djelic & den Hond, 2014; Eberlein et al., 2014; Pauwelyn et al., 2012; Reed et al., 2012; Vogel, 2010). Their calls have specified the need for a more expansive, systematic, political and dynamic view of global private regulation -- expansive in that it looks beyond specific initiatives and narrow timeframes; systemic in that it is comparative; political in that it considers contestation and competition as well as cooperation; and dynamic in that it shows how actors influence each other and mobilize over longer periods of time. (Auld et al., 2009; Brunsson et al., 2012; Davis et al., 2008; Djelic & Sahlin, 2012; Eberlein et al., 2014; Potoski & Prakash, 2009). Leading scholars have pointed to the potentially significant contributions that can be made by management and organization research to the understanding of this phenomenon. For example, in a recent *Journal of Management Studies* article discussing important avenues for future management research, Jerry Davis suggests the study of corporate accountability in global supply chains should be one of three main foci – “pressing questions

worth answering”, as he refers to them. In the article Davis highlights both the theoretical and practical significance of this line of scholarship:

[T]he widespread Nikefication of the economy, through which corporations have outsourced large parts of their production and distribution, has created recurring dilemmas around corporate responsibility.... How can corporations enforce accountability throughout their supply chains? How can consumers and governments ensure corporate accountability? What institutions could raise the bar on justice and human rights for enterprises that are dispersed across organizational and national boundaries? This question is of great theoretical and practical importance. To an astonishing extent, the goods and services we buy are not produced by the organization whose name is on the label, as the vertically-integrated mega-corporations of the twentieth century have been replaced by supply chains coordinated by a central node that owns the brand name.” (2015, pp. 8-9).

RESEARCH QUESTIONS AND ANALYTICAL APPROACH

This thesis studies the strategic and organizational dimensions of transnational private regulation from a longitudinal, multi-level perspective. My focus is on explaining why and how the current system has evolved as it has -- what Djelic and Sahlin have referred to as examining transnational regulatory proliferation as the “dependent variable” (2012, p. 747). Emphasis is placed on understanding what is driving the initial founding of these different coalitions and on the strategies developed by the resultant regulatory initiatives in order to establish themselves as credible regulator of global supply chains. More specifically, it provides answers to two questions: *Why do firms adopt different coalitional strategies in response to similar socio-political pressures? What strategies do MSI and BLI coalitions employ?*

As there is little theory on the phenomenon, I use a qualitative, comparative approach to inductively examine the development and evolution of MSI and BLI coalitions in the global apparel industry. These coalitions address an issue that is commonly referred to as *sweatshops* – workplaces where labor exploitation and hazardous working conditions have become standard business practice (Fung et al., 2001; Wetterberg, 2012). The sweatshop problem has been closely tied to global economic integration and the extensive use of global supply chains for apparel production. By means of 34 interviews and 474 archival sources covering a twenty-five year period, I study the emergence and evolution in the apparel industry’s private regulation from just prior to its inception in the early 1990s to the present day.

This industry represents the quintessential case of private regulatory proliferation and fragmentation. Over a period of ten years, nine different initiatives were formed, all of which

remain active to the present day. The development of these initiatives took place in clearly identifiable stages – a first wave in which an active and contentious anti-sweatshop social movement exerted considerable pressure on companies to partner with NGOs, a second wave in which four MSIs were founded, a third wave in which five BLIs were founded and a final wave in which these coalitions are forced to deal with the consequences of private regulatory proliferation. The companies involved in these coalitions are some of the world's largest and best known product and retail brands such as Wal-Mart, Nike, Tesco, Adidas and Gap. This has ensured that this industry's attempts at dealing with the sweatshop issue has consistently been in the media spotlight, providing an ideal setting for studying the drivers for the formation of MSIs and BLIs and their dynamic interaction.

My analysis draws on recent scholarship concerning the political activities of corporations. Work at the intersection of the non-market strategy (Baron, 1995, 1997) and social movement research (McAdam et al., 1996) has shown that corporations have adopted and adapted social movement tactics in dealing with socio-political pressures (McDonnell, 2015; Rao et al., 2011). I draw on and extend this literature by examining and tracing how firms' market strategies (how they compete in the marketplace) influence their non-market strategies (how they address socio-political issues and institutions) and how these, in turn, shape the MSI and BLI coalitional strategies they establish.

OVERVIEW OF FINDINGS

Question 1: Why do firms adopt different coalitional strategies in response to similar socio-political pressures?

The findings of this thesis reveal why some firms founded MSIs while others resisted pressures to do the same and instead founded BLIs. The reactions by both sets of companies to social pressures can be traced back to their market strategies. Founding firms' strategies and risk profiles led to differences in their firm's exposure, perception and response to reputational and operational risks arising from activist and government pressures and drove their preferences for different forms of private regulatory coalitions.

Findings show that MSIs were founded and promoted by product brand companies and specialized retailers in collaboration with NGOs, government representatives and in some

instances, trade unions. In line with current theory, the companies founding MSIs tended to have brands whose market differentiation strategy was closely tied to attributes conveying quality, heritage or “commerce with a conscience”. These companies’ were highly dependent on market segments that demonstrated significant concern with, and sensitivity to, the sweatshop issue. As a result, for these companies, the reputational risks arising from association with the use of sweatshop labor represented considerable threats to their business. For this reason, these brand companies and specialized retailers responded to NGO pressures by using MSIs to protect their brands and reputations.

Despite facing identical socio-political pressures, global retail companies such as Wal-Mart, Carrefour, and Tesco, resisted collaborating with NGOs in the formation of MSIs, choosing instead to create BLIs along with other global retailers and business associations with whom they collaborated. These global retailers’ market strategies are highly focused on the efficient management and integration of vast numbers of global supply chains via economies of scale and scope. In contrast to brand and specialized retailers, global retailers’ customer base is highly price sensitive and likely to disregard social and environmental issues in their purchasing decision. As a result, while reputational risks were high for both brands and retailers, global retailers’ brands were less exposed to the sweatshop issue and therefore less responsive, to activist pressures.

Rather, global retailers were more exposed to operational and policy risks resulting from possible trade barriers and regulatory complexity. The MSI model, based on collaboration with NGO and trade unions, requiring extensive dialogue and transparency, as well as a high degree of factory-level involvement, represented a threat to their business model rather than an opportunity to safeguard their reputation. This led global retailers to pursue alternative approaches that afforded them control over standards development and a focus upon harmonization, consolidation and cost control across multiple industries. BLIs were set up in collaboration with the trade associations that they were already actively working with on trade liberalization issues. When NGOs pressured them regarding the sweatshop issue, these trade associations served as a natural venue and mechanism for dealing with what they viewed as an industry-level policy issue.

Question 2: What strategies do MSI and BLI coalitions employ?

This thesis also examines how MSI and BLI founders successfully establish such coalitions. Two dimensions are examined from a comparative perspective: 1) Framing strategies: how MSIs and BLIs describe the sweatshop issue and the approaches they develop to address it in ways that justify their approaches and create a shared understanding for collective action; 2) Organizational strategies: how MSIs and BLIs develop and grow their organizations and the broader movement in order to achieve industry-level impact.

Global economic and political developments in the 1990s strongly favored a shift from government regulation to market-based, multi-stakeholder forms of regulation. MSI coalitions' strategies strongly reflect this policy emphasis. Framing strategies are heavily premised on their normative value (they are governed by inclusive and transparent processes visible to all market participants) and regulatory effectiveness (these processes lead to innovative and rigorous solutions). Organizational strategies followed a "carrot and stick" approach. The "stick" was wielded by activists and governments who pressured firms to co-found MSI coalitions and thereby participate in the definition and development of best practices. The "carrot" was the reputational benefit granted to participating firms, who were touted as leaders in addressing sweatshop issues. MSIs' organizational growth strategies involved diffusing these best practices throughout the industry by creating market demand for more ethical products, thereby creating additional pressure for companies to adopt these best practices in order to both deflect reputational issues and access these new markets. However, MSIs' emphasis on rigor, inclusiveness and transparency limited their ability to attract new members and demonstrate progress in growing the initiative. Moreover, the overlapping nature of their initiatives and their strong ties to national contexts left them exposed to criticisms of regulatory duplication, inefficiency and little industry-level impact.

The BLI coalitions' response to MSI strategies came in the form of a counter-framing that emphasized credibility through scale and representational authority, progress through management systems and efficiency through wide-scale harmonization efforts. This framing was both driven by their corporate founders' strategic focus on reducing barriers to trade and by the political opportunity provided by fragmented regulatory system resulting from multiple, overlapping MSIs. The latter provided BLIs with the opportunity to frame their initiatives as a solution to the growing private regulatory proliferation. BLIs focused on magnifying and

exploiting concerns over the complexity of the private regulatory system developed by MSIs to their advantage, parlaying it into a justification for their approach. In the end, BLIs successfully established the need to demonstrate efficiency and impact via scale and harmonization as a dominant frame. Pressure on MSIs to address growing criticisms of their inability to have an impact on a large scale led to effort on the part of all MSIs to integrate their organizations and harmonize their standards. This effort proved unsuccessful largely because of the inability to reconcile the differences amongst MSIs and the inherent challenges of running a meta-organization based on inclusive governance principles.

BLIs' framing strategies were well aligned with their organizational resources and their founders' influential positioning in global supply chains. Their organizational strategies proved highly successful in recruiting members and factories to their initiatives. Existing associations played a pivot role in these efforts, mobilizing business networks and supply chains to quickly build large coalitions. The pre-established collaborations with trade associations and the small group of global retailers facilitated collective action which developed in a step-wise fashion into larger and larger initiatives – alliances between associations were formed which led to the creation of larger, more encompassing associations that spanned not just apparel but the grocery, electronics and other supply chains as well. Their encompassing nature allowed them to reinforce their framing strategy based on scale and thereby claim regulatory authority.

Contributions

The literature on stakeholder politics has, for the most part, focused on one set of actors – activist NGOs – and the risk they pose to corporations via boycotts and other campaigns. Similarly, the literature on transnational regulation has tended to focus on MSIs. Overlooked in these literatures on private regulation are the corporate actors themselves. MNEs, are aggregated in a way that glosses over and obscures important characteristics that underpin and drive the divergent responses to the socio-political pressures to which they are exposed. This thesis redresses the balance by drawing attention to the importance of the relationship between firms' market and non-market (socio-political) strategies.

The following chapters explain how MNEs' market strategies and their associational activities mediate their responses to socio-political pressures, resulting in considerable differences in their choice of coalitional partners and in the coalitions' strategies. This

divergence contributes to both private regulatory proliferation and the growing dominance of BLIs. The findings of this thesis challenge the prevailing view that reputational risk and legitimacy concerns are sufficient to explain the choice of coalitional partner and the coalitional strategies themselves. The analysis reveals that a firm's position in the global supply chain and its prior participation in collaborative initiatives leads to crucial differences in firm exposure, perception and response to reputational and operational risks arising from activist and government pressures. In addition to reputational risk, firms are subjected to a multitude of other risks including operational risk, and trade legislation/policy risk. As these other risks can be more salient to some MNEs, the differential impact of each set of risks needs to be considered from a holistic rather than isolated perspective.

These differences also underpin the collective strategies used by MSI and BLI coalitions. This thesis reveals the heterogeneous strategies employed by MSIs and BLIs and provides an explanation for the growing dominance of BLIs in the governance of global supply chains. Findings suggest that BLI strategies are focused on leveraging existing organizational networks – both business associations and supply chain relationships - as a means of facilitating large-scale collective action. Doing so allows them to pursue a framing strategy based on their ability to provide harmonized and consistent solutions that deal with existing regulatory fragmentation, rather than on democratic credentials. Contrary to much of the literature on firm-NGO collaboration and MSIs, I find that BLI strategies are predominantly directed at governments rather than civil society. Moreover, I also find that it is the regulatory fragmentation resulting from MSI strategies that inadvertently provides the political opportunity for BLIs to develop their strategic approach. In sum, these findings uncover strategic drivers and organizing mechanisms unexplored in current research and point to the need to complement and extend existing explanations that emphasize activist pressures and firm reputation.

These findings also contribute to practice and policy. They provide greater clarity and guidance to firms, NGOs, and policy-makers concerned with the regulatory complexity increasingly characterizing global supply chains and the legitimacy of the resultant non-state regulatory solutions. It specifically draws attention to the salience of global supply chain structures, the growing power that global retailers are exercising over transnational private regulation and the conditions and processes under which rival forms of regulation may become complementary. With an eye to future research, it also provides insight into how stronger links

between the BLI and MSI literatures may be established, based on an understanding of how these two forms of governance gain credibility and interact.

OUTLINE

The next chapter provides an overview of the literature on global private governance, the research questions investigated and conceptual framework providing the lens through which these questions will be explored. Chapter 3 then elaborates the research setting and methods that were employed, as well as their suitability for addressing the research questions. The research design consists of a case study with embedded units of analysis – the first embedded unit of analysis being the firms that formed the coalitions; the second embedded unit of analysis being the coalitions themselves. The case is presented in chapter 4 and the embedded units of analysis are examined in chapters 5 and 6 respectively. Together they provide answers to the what, why and how of private regulatory proliferation through a strategic management lens.

The longitudinal case study presented in chapter 4 provides a narrative analysis of the inception and development of private regulation in the global apparel industry. This narrative provides an overview of the relevant world events taking place during the 1990s and 2000s, outlining the distinct phases in the evolution of private regulation in the global apparel industry – the inception of the anti-sweatshop movement, the formation of MSIs, and the industry countermovement in the form of BLIs (the “what?”). Chapters 5 and 6 then delve deeper into the case to answer each of the research questions. Chapter 5 analyses the market strategies driving MSI and BLI formation (the “why?”). Building on chapter 5, chapter 6 examines how MSI and BLI founders successfully establish such coalitions and how their strategies differ (the “how?”). Chapter 7 concludes by summarizing the findings from this thesis as well as its contributions.

CHAPTER 2: LITERATURE REVIEW AND RESEARCH QUESTIONS

INTRODUCTION

This chapter begins with an overview of the phenomenon of transnational governance and its key overarching debates followed by a review of the literature on the organization of global private regulation, focusing on its two most prominent forms: multi-stakeholder initiatives (MSIs) and self-regulation, referred to as business-led initiatives (BLIs). These inter-organizational groups are referred to as coalitions rather than alliances to emphasize their political nature. The middle section of the chapter provides definitions for each of these coalitional forms and lays out the arguments in favor or against each type of coalition as well as the reasons provided in the literature for why firms join one or other type of coalition. This is followed by a review of recent empirical evidence and new developments in the literature that places particular emphasis on the numerous calls for more research and which highlights the driving motivation for this dissertation thesis. The chapter ends with a presentation and discussion of the research questions addressed by this thesis and the conceptual framework used.

THE PHENOMENON OF GLOBAL PRIVATE REGULATION

While private regulation is not a new phenomenon (Carroll & Beiler, 1975; Selznick, 1985), it has changed considerably in recent decades, making the contemporary form of private regulation distinct in various respects. Whereas both public and private regulation has conventionally been confined to national borders, contemporary economic activities now cross borders and jurisdictions, in many cases diminishing the regulatory authority of any one state (Crouch & Streeck, 1997; Reinicke, 1998). This rise of economic globalization in recent decades has resulted in what has been commonly referred to as “governance deficit” (Newell, 2001, p. 908), the nature of which is the source of considerable debate. While some have argued that there is demonstrably little political will or capacity to regulate cross-border economic activity, others have suggested that the ascendance of a neo-liberal policy approach in recent decades, advocating deregulation, has eroded the legitimacy of a strong regulatory state (Campbell &

Pedersen, 2001; Sell, 2003; Strange, 1996). This has often been in the form of international trade agreements that are argued to have constrained states' "policy space". Still others have suggested that states have voluntarily shifted their governance approach from "rowing" to "steering", recognizing their vital contribution as direction rather than provision (Osborne, 1993; Osborne & Gaebler, 1992).

Although the significance for the nation-state's regulatory capacity is much debated, clearly the dynamics of regulation have changed. Whereas the state was once the focal actor in the regulatory domain, engaging in a command-and-control style of governance, it is increasingly one amongst many actors, and sometimes it is argued to not be involved at all (Abbott & Snidal, 2009). This is particularly evident in developing countries where governance and regulatory capacity is weak - precisely the places to where production of goods for global supply chains has migrated (Black, 2009; Habermas, 2001; Matten & Crane, 2005; Scherer & Palazzo, 2011). As a result, there is increasing involvement of numerous non-state actors, primarily NGOs and MNEs. In many cases this shift is taking place not against the will, but rather, at the behest of some governments and inter-governmental organizations. Perhaps the clearest example of support for private sector involvement took place at the end of the 1990s when following decades of acrimonious relations between the UN and MNEs, former UN Secretary General, Kofi Annan, created the UN Global Compact as a vehicle to foster collaboration between the UN and the private sector. Appealing to non-state actors to fill the regulatory gap via private regulation, he stated:

"You do not need to wait for governments to pass new laws", Mr. Annan has said to business groups. "You can and should act now, in your own self-interest. The sustainability of globalization is at stake." (Ruggie, 2002, p. 37).

This shift from a hierarchical and coercive, to a decentralized, pluralist structure, where governance capacity is dispersed amongst many actors (Knill & Lehmkuhl, 2002) and which is increasingly disassociated from territorial boundaries, is commonly referred to as a shift from *government* to *governance* (Levi-Faur, 2012; Rosenau & Czempiel, 1992). Consequently, scholarship in the field is shifting to an institutional understanding of regulatory governance, as a socio-political construction, emerging from the interaction of a variety actors engaging in shared rule-setting, implementation and enforcement (Abbott & Snidal, 2009; Benner et al., 2004;

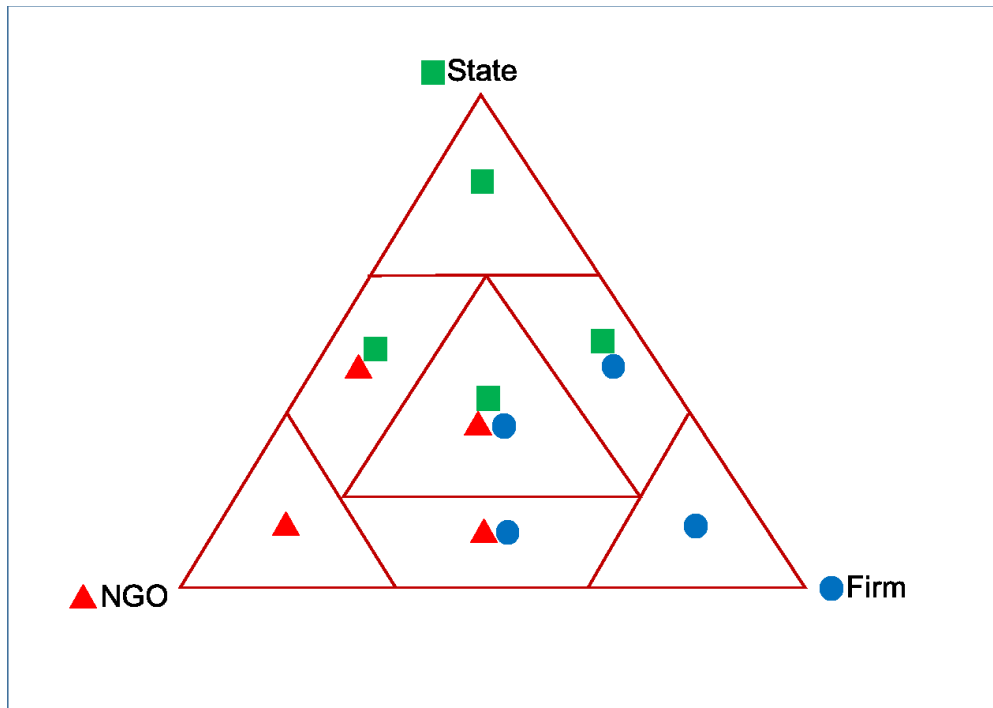
Schneiberg & Bartley, 2008). This shift has been documented in various leading publications. In 1998 The Economist wrote:

Human-rights NGOs now participate directly in policymaking. They have a formal role at the UN, where a total of over 1,500 NGOs (including those concerned with other issues) have consultative status. A collection of 136 NGOs were accredited as observers to the UN conference in Rome in June that agreed on the treaty for an International Criminal Court... Every government now must take their views into account. Not all treat them as adversaries. The Canadian, Dutch and Scandinavian governments, for example, collaborate closely with human-rights groups. In October Robin Cook, Britain's foreign secretary, appointed officials from Amnesty and Save the Children to work at the Foreign Office, and instructed ambassadors taking up new posts to obtain briefings from Amnesty and other human-rights groups. (Economist, 1998)

Their interaction has generally been conceptualized as cross-sector organizational configurations or coalitions composed of actors from the public (state), for-profit (firms) and not-for-profit (NGOs) sectors. Abbott and Snidal's (2009) typology maps the diversity of organizational arrangements by which regulatory initiatives are governed (see Figure I). Their typology proposes seven distinct, relational modes. The corners of the triangle represent initiatives restricted to one actor, or interactions between actors from the same sector – ie.: state only; NGO only; firm only. The inner sections of the triangle represent cross-sector governance forms (business-NGO; state-NGO; firm-state; firm-state-NGO).

As mentioned above, there has been a general shift from state only forms of regulatory governance towards other forms, represented in the diagram by the bottom portions of the triangle. This shift has been not just qualitative but quantitative - in recent years the growth of these other forms has far outpaced that of international government organizations (IGOs), a phenomenon that will likely proceed at an accelerating pace (Abbott et al., 2013). The coalitional forms at the very bottom of the triangle - NGO coalitions, Business-NGO coalitions, referred to as multi-stakeholder initiatives (MSI) and business-only coalitions, referred to as business-led initiatives (BLIs) - have played a particularly prominent role in dealing with social and environmental issues resulting from global supply chains. These coalitions can be distinguished from those found in the upper parts of the triangle, in which government plays a prominent role. They are generally referred to forms of *private regulation*, in order to highlight the prominent role played by private actors.

Figure I - Typology of transnational private regulatory initiatives



Source: adapted from Abbott & Snidal (2009)

Global private regulation is defined by Vogel as “[C]odes, regulations, and standards that are not enforced by any state and address the social and environmental impacts of global firms and markets, especially in developing countries” (2008, p. 262). It is important to note that this definition narrows the focus from all standards and codes of conduct to those that deal with specific social and environmental issues arising from the globalization of supply chains. This shift from government regulation to private regulatory coalitions has generated a number of challenges to effective transnational governance. Two main issues – the democratic deficit and the proliferation and fragmentation resulting from the shift to private regulation – are considered below.

The democratic deficit

Transnational regulatory governance theorists suggest that the legitimacy of governance beyond the state has become an overriding concern (Bernstein & Cashore, 2007; Bexell &

Mörth, 2010; Djelic & Sahlin, 2012; Erman & Uhlin, 2010; Forman & Segaar, 2006; Nye, 2001; Wheatley, 2009). While the democratic election process provides political legitimacy for states' regulatory activities - citizens elect governments, which are held accountable and as such can be discharged of their responsibilities in the next electoral cycle (Matten & Crane, 2005) - transnational non-state regulatory actors are not elected nor directly accountable. As a result, private regulatory schemes must actively attempt to establish their legitimacy vis-à-vis that of government regulation (Black, 2009; Vogel, 2008; Esty, 2006).

The inclusion of civil society actors in global governance forums has come to be viewed by many scholars and policymakers as essential to the democratization of global governance. This is believed to both expand participation in decision-making and strengthen decision-makers' accountability towards external groups. NGOs are viewed as conduits between global institutions and local actors, allowing for greater voice and citizen involvement. The inclusion of NGOs is argued to also allow for greater accountability to those groups and communities that are affected by the decision-making taking place (Bexell et al., 2010; Held, 1995; Scholte, 2002; Steffek et al., 2008). NGOs have figured particularly strongly in arguments by global governance theorists who invoke the concept of deliberative democracy. They argue that democracy is best achieved through public deliberation by well-informed citizens, whose interactions and exchanges result in consensus and legitimate decision-making (Fishkin, 1991; Habermas, 2001).

When applied at the global level, this perspective leads to the view that the democratic deficit can be addressed and private regulation could be rendered legitimate and accountable via operational transparency and public forums of deliberation amongst different stakeholders (Affairs, 2004; Payne & Samhat, 2004; Risse, 2004; Wolf, 2006). Rather than influence policies through voting, individuals can become involved in the plurality of decentralized arrangements that are shaping global policies. Hale and Held suggest that multi-stakeholder-based private regulatory initiatives can be understood as enhancing democracy, especially when compared to more conventional intergovernmental processes and approaches (2011). As outlined below, this has led to the view that the MSI form of private regulation is the most effective and legitimate form of private regulation. Proponents suggest that while it is not perfect, its cross-sectoral approach best addresses the needed criteria of inclusiveness and transparency.

Regulatory proliferation and fragmentation

A second challenge relating to effective transnational governance is the proliferation and fragmentation of initiatives. An ever-growing number of coalitions have developed a veritable explosion of new rules. Vogel estimates that "[a]pproximately 300 such codes now govern most major global economic sectors, including energy, minerals and mining, forestry, chemicals, textiles, apparel, footwear, sporting goods, project finance, and coffee and cocoa." (2008, p. 262). Some estimates are much higher. World Bank calculations suggest that there were approximately 1,000 codes of conduct and standards developed by 2004 (World Bank, 2003/2004). This ever expanding universe of codes and standards has grown so large that various organizations have recently cropped up in order to simply catalogue them. For example, the Ecolabel index tracks nearly five hundred ecolabels in two hundred countries and twenty-five industry sectors (Ecolabel Index, 2013). The International Trade Centre's (ITC) Trade for Sustainable Development (T4SD) project has developed the Standards Map, an online service conceived to assist developing country producers and exporters navigate the growing number of standards (ITC, 2013). Similarly, business-to-business websites such as Eko-Bai, help buyers locate suppliers of products carrying environmental, ethical, organic or labor safety certifications (Ekobai, 2013).

There is growing concern that this emergent global private regulatory regime is burdensome and ineffective. From a legal standpoint, the uncoordinated, decentralized, plurality of norms, ranging from mandatory "hard" law to voluntary "soft" law, and the overlapping and competing claims regarding legitimate regulatory authority makes it difficult to determine what is law (Black, 2008) - resulting in what has been referred to as a "tangled web" (Webb & Morrison, 2004). Firm perspectives suggest that the numerous regulatory offerings makes it difficult for producers and purchasers to choose amongst competing standard initiatives (Prado, 2013; Smith & Fischlein, 2010). From a supplier perspective, it results in frequent and redundant social audits leading to "audit fatigue" (Locke, 2013). Lastly, the proliferation of standards is argued to lead to confusion at the customer level, resulting in an inability to distinguish products that comply with stringent social and environmental norms from those that do not (Bartley, 2010; Fransen, 2011b; Schuler & Christmann, 2011; Seidman, 2007; Vogel, 2010).

The view that the resulting fragmentation and complexity in the regulatory system is limiting effectiveness, is particularly prominent in international policy circles, where concerns

have been voiced for over a decade. The World Bank has called for a more collaborative, systemic, and less ad-hoc, fragmented approach, that takes into account local and industry specifics (World Bank, 2003/2004). It explicitly proposes industry-based initiatives as a way to deal with the inefficiencies and confusion generated by numerous supply chain buyer codes. Similarly, the United Nations Industrial Development Organization (UNIDO) has highlighted the increasing costs resulting from regulatory complexity throughout global supply chains and the need for more concerted harmonization and meta-standardization efforts as a means of facilitating and stabilizing global trade (van Huijstee et al., 2010). Most recently, the G20 Inter-Agency Working Group, a collaborative effort between various agencies including UNCTAD, UNDP, UN-ILO, OECD and the World Bank, issued a report declaring the fragmentation and duplication of efforts an impediment to developing country producers. The report urges member states to promote market coverage by identifying effective CSR and sustainability standards and promoting their convergence (G20 Inter-Agency Working Group, 2011).

However, such concerns are not relegated to inter-governmental organizations (IGOs). Specialists on supply chain labor issues, highlight the need to scale and standardize initiatives to a much broader cross-section of firms (Ansett, 2013). It is argued that doing so will not only reduce the costs of compliance, it will level the playing field and differentiate companies that are making efforts to improve their social and environmental performance. The specialized CSR and sustainability media has emphasized this point as well. Ethical Corporation magazine for example, referred to the current state of affairs as the “the wild west of labelling”, calling for a “guide of the guides” (Entine, 2013b), meaning a way to organize and integrate the disparate standards and metrics being used. A recent market study by the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, a prominent umbrella organization of standards setting organizations dedicated to developing best practices for MSIs, supports this view as well. It states: “[T]he single most mentioned frustration is the sheer number of standards in operation” leading to “overlaps between standards systems, confusion and difficulties in differentiating between them, and a lack of consumer awareness and demand for specific certification schemes” (ISEAL Alliance, 2011).

The academic discussion on the significance and outcomes of this proliferation of private regulation has for the most part emphasized the negative consequences of proliferation, suggesting that fragmentation is detrimental because it leads to regulatory competition and

ineffectiveness. One of the main arguments is that regulatory complexity leads to regime or forum “shopping”, meaning the creation of conditions whereby corporations are able to select amongst a variety of different regulatory offerings a particular set of standards or code of conduct to adopt at their discretion (Alter & Meunier, 2009). As corporations will be more likely to choose rules that are less onerous and intrusive, this results in a competitive situation between private regulatory initiatives to attract member firms based on ease of adoption, minimal operational disruption and risk. According to this view, the inevitable outcome is a regulatory “race to the bottom” (Braithwaite & Drahos, 2000; Seidman, 2007) resulting in regulatory ineffectiveness and the inability to exert social pressure upon corporations (Bernstein & Cashore, 2007; Fransen, 2011b; Gulbrandsen, 2010). The idea is similar to the debate regarding the idea that MNEs will gravitate to nation states with lax environmental and labor standards. If one state lowers its requirements and regulations, it pressures other states that want to attract foreign direct investment (FDI), to lower their standards, resulting in a downward spiral (Gill & Law, 1989). Proponents of this view argue that hard law is required and that nation states need to take a more active role and reassume a strong regulatory role to prevent such a scenario – see Utting and Marques (2010) for an overview.

However, as we will see below, a more recent perspective has provided a contrasting view on the question of regulatory proliferation, suggesting the need to view it as a process of regulatory re-ordering (Djelic & Sahlin, 2012; Eberlein et al., 2014; Overdevest & Zeitlin, 2014).

THE ORGANIZATION OF PRIVATE REGULATION: MSI AND BLI COALITIONS

Up to this point this chapter has provided an overview of the phenomenon of transnational governance and its key overarching debates. Such an overview helps to better situate scholarship concerned with the organizational dimensions of these initiatives. This next section outlines the disparate strands of literature on the two most prominent types of private regulatory organization - MSIs and BLIs.

Multi-stakeholder initiatives (MSIs)

While regulatory governance activities espouse a diversity of organizational arrangements (Abbott & Snidal, 2009), multi-stakeholder initiatives (MSIs) have been pointed to as holding

the greatest promise for filling the global regulation deficit (Pins Brown et al., 2007; SRS-UN, 2007; Utting, 2002a; Vogel, 2008). This organizational form sometimes referred to as *civil regulation* (Bendell, 2000; Murphy & Bendell, 1999; Utting, 2005; Vogel, 2008; Zadek, 2007) or *co-regulation* (Fransen & Kolk, 2007; O'Rourke, 2006; Selsky & Parker, 2005), is considered by some scholars to be one of the most important governance innovations of recent times, largely because of its inclusive governance structure, transparency and purported independence from narrow state or commercial interests (Cashore et al., 2004; Scherer & Palazzo, 2011; Vogel, 2008).

The type of regulatory system developed by MSIs is referred to as a certification system, and it involves all activities of private regulation (objective setting; rule formation; implementation; monitoring; enforcement). MSIs were described early on by Utting (2002) as initiatives where "... NGOs, multilateral and other organizations encourage companies to participate in schemes that set social and environmental standards, monitor compliance, promote social and environmental reporting and auditing, certify good practice, and encourage stakeholder dialogue and 'social learning'". WWF, an NGO involved in setting up numerous MSIs defines them as "voluntary, market-based approaches that employ multi-stakeholder consultation and negotiation to develop a set of principles, criteria, and indicators for more responsible production, sourcing, and manufacturing practices within or across a given sector or product." (2010, p. 6).

The best known MSI is the Forest Stewardship Council (FSC). A private, non-for-profit MSI based in Bonn, Germany, the FSC was established in 1993, following the failure of inter-governmental attempts to establish a binding convention for forest management at the 1992 Rio Summit. Its purpose is to promote responsible management of the world's forests via standard setting, certification and labeling of forest products. Generally referred to as the first and most successful multi-stakeholder, private regulatory initiative, it has become the template for how an MSI should be designed, commonly referred to in discussions of legitimate transnational governance involving corporations (Bartley, 2003; Boström & Hallström, 2010; Cashore et al., 2004; Dingwerth, 2007; Gulbrandsen, 2010; McNichol, 2008; Murphy & Bendell, 1999; Pattberg, 2007; Scherer & Palazzo, 2011). Vogel (2008) suggests that there have been more studies on the FSC than all other initiatives combined. Moreover, the FSC has been emulated by numerous MSIs including the Fair Labor Association (FLA) in the apparel industry and the

Marine Stewardship Council (MSC) and the ISEAL alliance, the MSI meta-organization referred to above, has based its standards of best practices upon the FSC governance structure.

The argument in favor of the MSI form of private regulation

MSIs are argued to be an important new form of governance for two reasons – their ability to address complex issues and their political legitimacy. The first reason emphasizes collaborative learning and problem-solving. It suggests that the problems addressed are often global in scope, multifaceted, and fraught with conflicting interests, making it highly improbable to be successfully addressed by a single actor or for a solution to be provided ex-ante. Terms such as “complex problems” (Ostrom, 2007, 2010) “wicked problems” (Brown et al., 2010; Dentoni & Bitzer, 2013; Rittel & Webber, 1973) and “super wicked problems” (Levin et al., 2012) have been used to describe social and environmental issues whose boundaries are unclearly defined, contested, and require concerted, iterative, collective action amongst various groups spanning multiple domains of knowledge, practice and scale. Addressing such problems, requires discovery, experimentation, organizational learning and extensive deliberation (Sabel et al., 2000; Scherer et al., 2013). The inclusion of actors from different sectors permits the pooling of resources including tacit knowledge, information and skillsets that lead to innovative solutions to social and environmental problems. Proponents of this view suggest that MNCs and NGOs have shifted from conflictual forms of engagement to collaborative relationships in order to draw on complementary strengths and resources (Austin, 2000; Kindornay et al., 2014; Perez-Aleman & Sandilands, 2008; Rondinelli & London, 2003; Ruggie, 2004; Yaziji & Doh, 2009) and “...learn to solve problems together” (Scherer & Palazzo 2011, p.917). The practitioner literature has echoed this view. A recent article in *Harvard Business Review*, makes the case as follows:

[M]any of the world’s problems, from income inequality to climate change, are so far-reaching that solutions require the expertise and scalable business models of the private sector... These conditions are beyond the control of any company—or of any single actor. To advance shared value efforts, therefore, businesses must foster and participate in multisector coalitions—and for that they need a new framework. Governments, NGOs, companies, and community members all have essential roles to play... (Kramer & Pfitzer, 2016)

The second reason MSIs have gained such prominence concerns their purported democratic legitimacy. Applying political theory to transnational governance (Zürn, 2004) has led to the argument that in the absence of a sovereign power to legitimately exercise its

regulatory ability, multi-sector collaboration on the part of firms and NGOs involved in deliberative, transparent, decision-making practices is considered to be a form of democratic process, and therefore a legitimate governance mechanism. Observers argue that, if designed properly, private transnational rule-making can be as democratic as intergovernmental rule-making (Dingwerth, 2007; Forman & Segaar, 2006). A key collaborative activity involves transparency - disclosing information regarding how individual firms are progressing towards achieving the collective goals (Sabel et al., 2000). Decentralized deliberation (Fung, 2003; Fung et al., 2001; Richardson & Eberlein, 2011; Sabel et al., 2000; Young, 2004) and third party audit and verification processes (Cashore et al., 2004) have been pointed to by numerous scholars as the key social mechanisms conferring legitimacy (Mena & Palazzo, 2012; Zürn, 2004). Scherer and Palazzo provide a succinct summary of the argument in favor of MSI deliberative structures when they state that they "...can be understood as a 'school of democracy' (2011, p.917).

Why firms join MSIs: Firm-level reputational risk

In recent years, the study of social movement impacts upon companies and markets has flourished into a rich stream of research. The emphasis has been on how civil society organizations, predominantly advocacy or activist NGOs, have increasingly bypassed governments in order to directly challenge, pressure and engage corporations concerning their social and environmental policies and practices (Baron, 2001; Briscoe & Gupta, 2016; Davis et al., 2008; den Hond & de Bakker, 2007; King & Pearce, 2010; Schneiberg & Lounsbury, 2008; Soule, 2012; Spar & La Mure, 2003). The non-market strategy stream of literature refers to this as "private nonmarket competition where private interests such as activists or NGOs try to affect company and industry practices using the arena of public sentiment and the media" (Baron & Diermeier, 2007, p. 540).

The main analytic narrative suggests that contestation on the part of NGOs has been highly successful, influencing a broad swath of corporations including corporate laggards to adopt pro-social policies. As Meyer and Gereffi argue, even Wal-Mart is not immune to such pressures:

Wal-Mart, for example, historically used its considerable power in its supply chains primarily to drive prices down, sometimes to the detriment of workers and the environment. But in the last few years, even Wal-Mart has concluded that it needs to protect its reputation from social critiques. (Mayer & Gereffi, 2010, p. 10)

In some cases this has resulted in political settlements (Rao & Kenney, 2008) that have taken the form of MSIs and certification systems driven by NGOs and corporations engaging in collaborative activities for the purpose of addressing social and environmental issues (Bartley, 2007; Rondinelli & London, 2003). Firms have engaged in cross-sector collaboration and alliances in order to manage the reputational risk arising from public campaigns, boycotts and other “naming and shaming” NGO tactics (Bartley, 2007; de Bakker et al., 2013; Gereffi et al., 2001; Kytte & Ruggie, 2005; Schuler, 2012; Spar & La Mure, 2003). Dacin et al. argue that firms subjected to reputational damage stemming from boycotts and public campaigns will enter into strategic alliances with NGOs in order to bolster their social legitimacy (Dacin et al., 2007).

This argument has become inculcated in the mainstream practitioner literature. In 2008 The Economist newspaper summarized the relationship between activist threats to corporate reputation, MSIs and corporate strategy as follows:

In Britain the Ethical Trading Initiative [ETI] brings together retailers, trade unions and NGOs to support corporate codes that improve working conditions across global supply chains. Such “multi-stakeholder initiatives” tend to involve companies that have elevated CSR to a strategic level... And even if such companies first discovered CSR the hard way, by suffering a knock to their reputation, many now see it as more than just a tool of risk management; they are convinced that it can be a competitive advantage and a source of growth in its own right. (Economist, 2008)

Business-led initiatives (BLIs)

What is a BLI?

Though the MSI regulatory form has figured prominently in the management and transnational governance literature, a related literature concerning the second form of private regulatory coalition has developed in parallel. Referred to as *business-led* or *industry self-regulation*, this form refers to when “companies join together to regulate their collective action to avoid a common threat or to provide a common good by establishing a standard code of conduct” (King & Lenox, 2000, p. 698). I use the term *business-led initiative* (BLI), instead of *self-regulation* for two reasons. First, to draw a direct comparison with the term *multi-stakeholder initiative* (MSI) that is based on the governance of the initiative. Second, to draw a distinction, as others have done, between this form of self-regulation and traditional national forms of industry self-regulation involving trade associations (Haufler, 2001). Traditional forms usually involved firm collaboration at an industry level that was geared towards increasing industry competitiveness by lowering transaction costs, pooling risk and developing common

industry infrastructure and skilled labor force (Hall & Soskice, 2001; Thelen, 2004; Woo-Cumings, 1999).

In recent decades, BLIs have been created as a response to activist demands for firms to address social and environmental demands. These usually involve the development of industry-wide codes of responsible conduct, of which the Sullivan Principles for business operating in apartheid-era South Africa is the first (Vogel, 2008). A defining characteristic of BLIs, that differentiate them from MSIs, is their governance structure. Whereas an MSI board of directors is composed of both business and non-business actors – usually NGOs, and sometimes trade unions – BLI boards are composed exclusively of corporations, effectively excluding NGOs from decision-making process (Grayson & Nelson, 2013; Marques, 2016; Sethi, 2011).

The case against the BLI form of private regulation

Without shared decision-making that includes NGOs it is argued that BLI collaboration will be exclusively geared towards safeguarding commercial interests - the regulatory systems developed via such coalitions will be weak and serve only to deflect social pressure from companies. While relatively little research has been done on BLIs, there is clear concern in the MSI literature that the private regulation systems resulting from BLI activities do not provide transparency, verification, and continuous improvement and as such are ineffective in improving social and environmental issues (Fransen, 2012; Sethi, 2011; van Huijstee, 2012). As reviewed above, shared decision-making is considered an essential characteristic of MSIs (van Huijstee, 2012). NGOs are viewed as representatives of civil society that provide a voice to affected stakeholders. As BLIs exclude NGOs, they are generally viewed as being illegitimate forms of governance.

While MSI certification systems strive to cover all activities of private regulation (objective setting; rule formation; implementation; monitoring; enforcement), BLI regulation systems tend to involve only the first two of these – objective setting and rule formation. Implementation, monitoring and enforcement are usually left to the member companies or weakly implemented (Fischer & Lyon, 2014; Marx, 2010). Consequently, critics charge that the objective of BLIs is providing participating corporations with the ability to deflect pressures from activists rather than implement meaningful changes (Auld et al., 2008; Bartley, 2009; Mena & Palazzo, 2012). Fransen for example suggests that BLI programs “promote policies that are

less demanding than those of their multi-stakeholder-governed competitors” raising “fears of a regulatory race to the bottom” (2012, p. 171).

Certain observers trace the origins of the MSI form to the movement against BLI forms of private governance. Early writings on MSIs suggest that the MSI form emerged in the 1990s as a reaction to exclusively business-led initiatives that were tabled following the Rio Earth Summit. BLIs were labeled non-credible forms of private regulation by civil society actors and the target of considerable contestation by NGOs (Murphy & Bendell, 1997; Utting, 2002a, 2005). Such strong pressures effectively led to the emergence of MSIs, along with the broader conception of public-private partnerships (PPPs) and multi-sectoral governance networks, as the newly-minted “defacto” mode of legitimate global governance (Benner et al., 2004; Zadek, 2008). Such a view is strongly embedded in the international policy community, as evidenced by a recent report by the G20 Inter-Agency Working Group (IAWG), a network of IGOs that includes representatives from UNCTAD, UNDP, ILO, OECD, the World Bank, the IFC, UNIDO and DCED. The report strongly favors MSI initiatives in which civil society organizations are involved:

The process of taking into account differing views of the key parties concerned... tends to strengthen initiatives and give them more credibility in the eyes of the public since civil society groups are consistently seen as more trustworthy and respected by the general population when compared with individual companies or industry associations (G20 Inter-Agency Working Group, 2011, p. 18)

As the above quote makes clear, initiatives developed by companies and BLIs are viewed as less credible. Safeguarding private regulation from co-optation by commercial interests remains a chief concern in academic circles as well. Echoing the broader literature on the topic, Sethi states that the governance of private regulatory initiatives should not be controlled by member companies:

The industry or universal group must create an independent governance structure that is not controlled by the executives of the member companies or dominated by private-sector organizations to the exclusion of other important stakeholders whose lives and livelihoods are affected by the conduct of the member companies and industry groups. (Sethi, 2011, p. 11)

Nevertheless, there have been some well-known cases of industry self-regulation by BLIs from whose governance structures civil society organizations have been excluded. Although comparatively small, a stream of scholarship on industry self-regulation lies at the intersection of the management strategy and political science fields (Barnett & King, 2008; Fauchart & Cowan, 2013; Héritier & Eckert, 2009; King & Lenox, 2000; Lenox, 2006; Marques, 2016; Potoski & Prakash, 2009; Yue & Ingram, 2012).

Empirically, the self-regulation literature is predominantly based upon studies of environmental initiatives. In much the same way the FSC figures prominently within the MSI literature, this literature draws particularly heavily from the chemical industry's Responsible Care (RC) program (Barnett & King, 2008; Conzelmann, 2012; Hoffman, 1999; King & Lenox, 2000). A voluntary self-regulatory industry initiative initiated in Canada, RC was developed and is operated by chemical industry companies. RC now operates in over fifty countries and regulates over 90% of the world's chemicals production. Member companies agree to improve their firm's performance pertaining to environmental protection, health and safety, and to the monitoring of their progress by peer firms (King & Lenox, 2000; Lenox, 2006).

Despite considerable acclaim, studies of the RC program reveal mixed results. In an early investigation of RC, Gunningham suggests that the diversity of firms within its membership base makes agreement on stringent standards and enforcement unlikely. He concludes that RC holds clear potential but needs to be supplemented with a co-regulatory, tripartite model involving complementary forms of government and third party oversight (Gunningham, 1995). More recent studies have found that RC has had a positive effect on the overall industry's social and environmental performance but, paradoxically, member firms actually performed worse than the industry average (ie. non-members). King and Lenox interpret this to mean that RC has promoted environmental performance across the industry but provided a disincentive for member firms to improve, which they argue suggests a need for explicit sanctions for non-compliant member firms, as RC is merely serving to forestall more stringent government regulation (King & Lenox, 2000). More recent studies have supported this conclusion (Lyon, 2013). Although alternative, more positive, interpretations have been offered (Barnett & King, 2008), the balance of results provide support for claims suggesting that the regulatory efficacy of self-regulatory institutions is questionable.

Why firms join BLIs: collective reputation risk and watering down standards

The self-regulation literature's theoretical grounding also provides insight into why firms join BLIs, particularly the drivers of firms' collective action at an industry level – a perspective on the organization of private regulation that contrasts to the one provided by the MSI literature. This literature outlines the conditions under which firms can successfully organize BLIs that protect collective interests. Drawing on the rational choice, new institutionalism framework

including club theory (Buchanan, 1965) and resource commons management theories (Ostrom, 1990). Theorists in this stream have conceptualized self-regulation institutions as solutions to the classic collective action dilemma (Olson, 1965). Their adaptation suggests that because enhancing the industry's reputation carries a cost, the rational thing for an individual firm to do is *free ride* and let other firms carry the burden of investing into improving the collective reputation, thereby benefiting without incurring any costs. Consequently, if all firms act rationally, all firms are worse off. Resource commons management theories (Ostrom, 1990) have however been drawn upon to explain industry dynamics where the collective action problem is overcome. The core argument is that individual firm reputations are interdependent, meaning that the behavior of poorly performing firms will draw attention to and diminish the reputation an entire industry – what Barnett and King refer to as an “intangible commons” (Barnett & King, 2008). Exogenous shocks resulting from negligence on the part of one or a few firms can lead other firms in the industry to engage in self-regulatory processes as a means of repairing and safeguarding collective reputation, avoiding sanctions and deflecting government regulation (King & Toffel, 2009). As individual firms do not have the ability to individually repair the industry's reputation, they engage in collective action as a means of doing so (Barnett & Hoffman, 2008; Lenox, 2006).

The self-regulation literature's focus on reputational pressures leads to the suggestion that group *homogeneity* is a key determinant of collective action (Barnett, 2006). Firm similarity is more likely to lead to collective action because greater similarity makes it less likely that governments, activists and consumers are able to differentiate one firm from the next in an industry, increasing the risk of industry-wide sanctions (Barnett, 2006; King & Toffel, 2009). It is also due to the fact that greater similarity is normally correlated with member firms' perceptions of shared interests, which facilitates collective mobilization. As a result, when an industry-wide threat materializes, it essentially constitutes a shared threat that drives firms to invest into a collective strategy to dealing with the risk (ie. forming or contributing resources to a business association) (Barnett, 2006).

NEW DIRECTIONS IN TRANSNATIONAL PRIVATE REGULATION

Despite the importance of this phenomenon, much remains to be understood. The MSI and BLI literatures dealing with private regulation remain fragmented and, for the most part, focused on specific initiatives such as the Forest Stewardship Council (FSC) and Responsible Care (RC). Consequently, there have been numerous calls in the recent literature for a more expansive, systemic, political and dynamic view of global private regulation (Auld et al., 2009; Brunsson et al., 2012; Davis et al., 2008; Djelic & Sahlin, 2012; Eberlein et al., 2014; Potoski & Prakash, 2009) - expansive in that it looks beyond specific initiatives and narrow timeframes; systemic in that it is comparative; political in that it considers contestation and competition as well as cooperation; and dynamic in that it shows how actors influence each other and mobilize over longer periods of time. I order these calls and discussions below in to three main dimensions – 1) From theorizing convergence to examining proliferation and divergence; 2) Understanding BLI coalitions as central actors; 3) Examining BLIs as counter-movements. I discuss each of them in turn, as a springboard for the research questions addressed in this thesis.

From theorizing convergence to examining proliferation and divergence

The literature on transnational private regulation reviewed above provides theories of regulatory convergence on an industry level that are at odds with what can be witnessed empirically. The MSI literature posits that well-designed MSI systems could, via the mechanisms described above, eventually encompass the global supply chains of entire industries. Much of this literature is however prescriptive and predominantly based on initial analyses of the FSC. In actual fact, one of the main criticisms stemming from the empirical literature examining MSI certification systems has concerned their inability to achieve sufficient scale, covering too few companies and only a small percentage of the market value of traded goods (Fransen & Kolk, 2007; McNichol, 2008; O'Rourke, 2003; Reed et al., 2012; WWF, 2010). Moreover, even in the case of the forestry industry, the longer-term pattern has been one of private regulatory proliferation rather than consolidation, with the Sustainable Forestry Initiative (SFI), a BLI coalition, emerging as a main competitor to the FSC (Bartley, 2007; Moog et al., 2014; Overdevest & Zeitlin, 2014).

Similarly, the self-regulation BLI literature examining the chemical industry's RC initiative is a theory of private regulatory convergence. The two conditions identified by this literature that have brought about private regulatory convergence appear unlikely to be replicated in other industries. First, RC was initiated as an industry response to India's Bhopal disaster, considered to be the world's worst industrial disasters on record. The severity of the catastrophe led to widespread fear and public outcry that placed the industry under considerable pressure, with government regulation in various countries appearing inevitable. An "exogenous shock" on such a scale is however a rare event. The second condition, the inability for consumers and government officials to differentiate responsible firms from irresponsible firms in an industry is not applicable to many other industries. This is particularly true of the consumer goods industries where competitive advantage often hinges on distinctive brand identities. As such, insights garnered from the chemical industry's RC initiative may be applicable only to a small number of industries exhibiting similar conditions.

Consequently, these theories of convergence provide little insight into the phenomenon of regulatory proliferation - the pattern of transnational regulation that appears to prevail in the majority of industries and which most concerns MNEs, NGOs, policymakers and regulators. As highlighted earlier in this chapter, most settings are characterized by a considerable coalitional pluralism. However, as suggested by Djelic & den Hond (2014), despite the pervasive nature of this phenomenon, we are only beginning to understand contexts characterized by divergence and proliferation.

The scant research that has examined transnational private regulatory proliferation has tended to view it a different light to the "race to the bottom" viewpoint outlined above. Drawing on Ostrom and others' analysis of "polycentric" forms of social organization (Black, 2009; Ostrom & Ostrom, 1965; Polanyi, 1951) they suggest that proliferation and pluralism are part of an ongoing process of global regulatory reordering (Djelic & Sahlin, 2012) and as such, may constitute a pathway to an effective regulatory regime. This perspective describes proliferation as a "layering of rules" (Bartley, 2011) or as a "meta-standardization process" whereby divergent initiatives are subsumed under an overarching normative framework – either a global industry level (Reinecke et al., 2012; Schuler & Christmann, 2011) or at a pan-industry global level (Hassel, 2008). Overdevest and Zeitlin, characterize the process as experimental and adaptive, promoting recursive learning and integrating local needs as the multiple components gradually

cluster into a cohesive whole (2014). Similarly, others have suggested the need to understand effective regulation on a much broader scale, involving the interaction of various forms of regulation including public and private (Eberlein et al., 2014; Locke et al., 2012; Lyon, 2013; Toffel et al., 2013). While some place the emphasis on understanding the process and mechanisms by which an eventual convergence will take place, others remain agnostic about the outcome, focusing instead on making the case for understanding the antecedents and process itself (Eberlein et al., 2014) – what Djelic and Sahlin have referred to as examining transnational regulatory governance as the “dependent variable” (2012, p. 747).

Understanding BLI coalitions as central actors

The argument made by theorists operating from this vantage point suggests the need to better understand private regulation as a process taking place on a more encompassing level – both in terms of actors and timescale. In most industries this would mean a consideration of both MSIs and BLIs and how they interact and influence one another. Yet, although prominent, BLI coalitions have been conspicuously absent from the analysis of transnational private regulation. As outlined above, when they are mentioned in the transnational governance literature, the emphasis is placed on how BLIs are less effective, legitimate and credible form of private regulation (Braithwaite & Drahos, 2000; Vogel, 2008). Such views are based on arguments regarding governance legitimacy and regulatory effectiveness - while BLIs are exclusionary, including only firms, MSIs include a variety of stakeholders (Albareda, 2008; Bernstein, 2011; Bernstein & Cashore, 2007; Hahn & Weidtmann, 2012; Mena & Palazzo, 2012; Reed et al., 2012).

Nevertheless, despite being criticized for their lack of credibility, legitimacy and regulatory effectiveness, BLIs have become dominant in many industries. Vogel suggests that the vast majority of governance codes and standards have in fact been adopted not by MSIs but by trade associations or large, individual MNEs (2008). In a few cases such as the electronics, chemicals and telecommunications industries they are the only form of private regulation. In the majority of industries they have gained a significant proportion of regulatory share vis-à-vis MSIs (Bartley, 2010; Fransen, 2012). This includes the forestry and apparel industries, the most studied cases of private regulation. In recent decades a proliferation of such organizational coalitions focused on dealing with social and sustainability issues has emerged (Abbott et al., 2013). This growth has

been both along industry lines and across industries, at both the national and international levels (D'Hollander & Marx, 2014; Djelic & den Hond, 2014; Kinderman, 2015; 2016; Marx & Wouters, 2014; NBS, 2013; Vogel, 2008). Recent surveys of corporate executives, including a recent joint effort by MIT Sloan Management Review, the Boston Consulting Group, and the United Nations Global Compact, indicate that the majority of sustainability initiatives are in fact not firm-NGO partnerships, in the form of MSIs or otherwise, but rather firm-firm collaborations, in the form of BLIs (MIT Sloan Management Review et al., 2015).

Numerous scholars in various streams have both recognized the importance of the phenomenon and the lack of research on the topic, which has recently led to numerous calls for research on business associations (Barley, 2010; Barnett, 2013; Djelic & den Hond, 2014; Greenwood, 2008; Lux et al., 2011; Parmigiani & Rivera-Santos, 2011). CSR practitioners suggest that these “corporate responsibility coalitions” are underresearched despite being a key driver of CSR (Grayson & Nelson 2013). In a background paper providing a review of the academic literature on private regulatory initiatives for the World Bank’s *World Development Report 2013*, Newitt underscores the dearth of research on BLIs, attributed in the paper to the relative difficulty of studying such organizations, particularly compared to MSIs:

[M]uch of the academic literature to date is focused on results achieved by MSIs as, by virtue of their governance structure, they tend to be characterised by a greater degree of openness and transparency and are therefore easier to study. (Newitt, 2013, p. 12)

CSR scholars have similarly suggested business associations to be essential to understanding CSR from an institutional perspective (Brammer et al., 2012; Campbell, 2007). Most recently, in a call for research on the topic of same-sector collaborations, the Network for Business Sustainability (NBS) has highlighted the considerable imbalance between MSI and BLI research:

Whereas considerable empirical research exists on multi-sectoral partnerships, there is very little research on same-sector collaborations. Yet, this is where new models of sustainability are likely to emerge (2014)

Examining BLIs as countermovements

A more expansive perspective carries important implications for the study of social movement pressures upon corporations (Bartley & Child, 2011 ; de Bakker & den Hond, 2008; den Hond & de Bakker, 2007; King & Pearce, 2010; Kourula & Laasonen, 2010). While this

literature has shed considerable light on the tactics used by social movement activists and resulting influence upon corporations, it has demonstrated a bias towards the study of positive outcomes of social movement pressures, overlooking ambiguous outcomes and cases of social movement failure (Davis & Anderson, 2008; Weber & King, 2014). Analyses have tended to be truncated from a process perspective, often observing a relatively narrow window of activist-firm interaction. These have tended to disregard long-term dynamics, particularly whether and how interactions and changes enacted in an initial time period may change the institutional and organizational environment in ways that affect interactions in later periods (McDonnell et al., 2015; Mena & Waeger, 2014). As a result, we know a fair amount about activist and NGO tactics but little about how firm responses to these socio-political pressures. Moreover, we know especially little about how responses differ across populations of firms and over time. The need to reverse this analytical arrow and study the diversity of firm responses to activist pressures from a strategic perspective has been underscored by a variety of scholars (Davis et al., 2008; Delmas & Toffel, 2012; Kolk, 2013; Lounsbury et al., 2012; Soule, 2012). Discussing the limited understanding of collective corporate reactions to social movement activism, Lounsbury et al. suggest:

“[I]t would be useful to examine how corporations differentially respond to movement pressure. Why do firm responses differ so dramatically? What is the possibility for corporations to resist such pressure, or create an effective counter-mobilization?” (2012, p. 223)

Scholars have based their observations and calls for research on interrelated streams of theoretical and empirical evidence. It is well established in the management and organizational theory literature that while some corporations may acquiesce, others may choose to resist institutional pressures (Lawrence et al., 2009; Oliver, 1991; Selznick, 1984) and attempt to alter their environments (Baron, 1995; Mintzberg, 1983; Pfeffer & Salancik, 1978; Stern & Barley, 1996) via corporate political action (Baysinger, 1984; Hillman et al., 2004; Shaffer, 1995). The non-market strategy literature has gone furthest in examining the strategic responses firms develop to socio-political pressures in the non-market environment. Similarly, within the social movement literature, theorists have established that corporations may respond with hostility to activist demands (Zald et al., 2005).

In recent years some scholars have begun to integrate and elaborate the non-market strategy and social movement literatures. Research at this analytical intersection has observed

that some firms' corporate countermovement mobilizations have included the adoption of a variety of movement-like tactics. Walker has examined how corporations in the U.S. citizens' grassroots mobilizations in order to pressure increase their voice in public and legislative discourse (Walker, 2009) – what has also been referred to *potemkin villages* (Davis 2008) and astroturfing (Kraemer et al., 2013), in reference to the artificial and manipulated nature of these movements. McDonnell's study of the *corporate-sponsored boycott* provides a clear illustration of how some firms respond to activist pressures by co-opting movements for their own benefit. In her study, some firms targeted by boycotts subsequently partner with the same NGOs in order to redirect their efforts towards targeting and campaigning against other firms, including competitors (McDonnell, 2015).

This non-market strategy lens provides an alternate vantage point from which to understand global private regulation from a dynamic and encompassing perspective. A handful of recent studies examining the contentious nature of NGO-firm relations in global private regulation have observed a pattern of resistance to NGO pressures on the part of some companies which can be understood as counter-mobilization. When pressured by social movements to join MSIs, some firms have responded by joining self-regulatory initiatives that compete with NGO-led MSI systems (Bartley, 2010; Egels-Zandén & Wahlqvist, 2007; Fransen, 2012; Gulbrandsen, 2008; Kolk, 2013). The forestry and apparel industries provide clear examples of this pattern (Bartley, 2007; Entine, 2013).

RESEARCH OBJECTIVES

Research Questions

While scholars are beginning to address the question of why such counter-movements are formed in contexts where existing MSIs already exist, some key aspects stand out. Two are particularly salient and form the basis of investigation for this thesis.

First, why do firms respond differently to similar socio-political pressures? It is not clear why some firms partner with NGOs while others steer clear of such collaborations, preferring to establish coalitions with other firms in the form of BLIs. The motivation ascribed to companies displaying resistance has been the desire to weaken or water-down the standards and codes of conduct developed by MSIs (Auld et al., 2008; Bartley, 2007; Fransen, 2011b; Sethi, 2011).

However, this explanation does not address the puzzle of why some firms engage in a countermovement and not others. The other explanation which is reviewed above, identifies firm or industry reputation as the key driver. Yet the reputational risk argument does not provide a satisfactory explanation either as it suggests that firms will either join MSIs (in industries where firms are highly differentiated) or join BLIs (in industries where there is low firm differentiation). The key distinction becomes the industry and as such it does not provide an explanation of industries where you see both MSIs and BLIs – the majority of industries, including the apparel and forestry industries.

Second, once mobilized, what strategies do countermovement coalitions employ to establish BLIs? How do they grow these organizations and how do they address the lack of credibility and effectiveness that is attributed to BLIs? How are BLI strategies similar or different from MSI strategies? Similar to the question of why firms choose the coalitional partners that they do, research on the strategies of the coalition themselves is equally sparse.

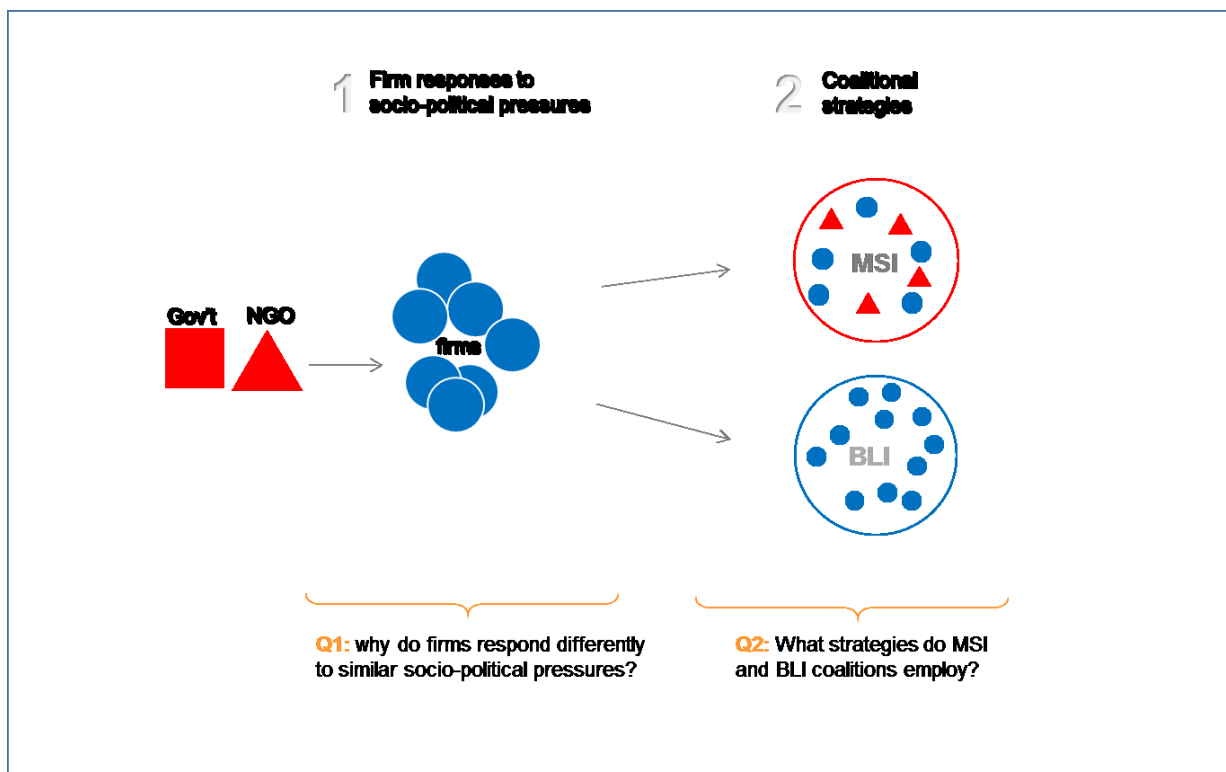
Analysis of MSIs has emphasized the political legitimacy of the coalitions, suggesting that their coalitional strategies rely on the political legitimacy granted by their cross-sectoral governance structures and the credibility resulting from their more stringent regulatory systems (Fransen, 2011a; Gulbrandsen, 2010; Mena & Palazzo, 2012; Mena & Waeger, 2014; Richardson & Eberlein, 2011). Research on BLI strategies has been almost non-existent. The two pioneering studies on BLI strategies that have been done (in the apparel and forestry industries respectively) suggest that BLIs adopt an *institutional mimicry strategy*, essentially claiming to be MSIs but not implementing the same levels of inclusiveness, rigor and transparency expected by their stakeholders and demanded by NGOs activists (Fransen, 2012; Gulbrandsen, 2008). Yet, this analysis does not explain why BLIs have become dominant in so many industries. If BLIs are simply emulating MSIs, why have they become so prominent as suggested by the empirical literature on CSR coalitions (Grayson & Nelson 2013)(MIT Sloan Management Review et al., 2015; NBS, 2013) while for the most part MSIs have not?

In order to improve our understanding of this phenomenon, this thesis addresses these questions and calls for research. It examines the “what?”, “why?” and “how?” of private regulatory coalitional initiatives, meaning the drivers or antecedents that lead to the creation of MSIs and BLIs and the strategies that are subsequently adopted by these coalitions. Which firms establish their own, firm-only initiatives rather than collaborate with NGOs in the formation of

MSIs, and why and how do they do so? Emphasis is placed on the initial formation stage and on the strategies developed by regulatory initiatives. More specifically, it provides answers to two research questions (see Figure II).

- Research question #1: *Why do firms adopt different coalitional strategies in response to similar socio-political pressures?* I examine why and how some firms collaborate with NGOs and form MSIs, while other firms eschew NGO collaboration and choose to partner exclusively with other firms in order to form BLIs.
- Research question #2: *What strategies do MSI and BLI coalitions employ?* Building on the prior findings, I examine the framing and organizational strategies developed and pursued by each of the initiatives in order to identify commonalities.

Figure II - Research questions



Analytical Framework

In order to answer these questions I draw upon a mix of social movement and non-market strategy concepts as an organizing frame and method of exploration. As explained at the beginning of this chapter, the shift to private regulation was the result of political, economic and social changes at both national and transnational levels that played out over a decades. The responses from non-state actors came in the form of various forms and collective action. Both NGOs and companies operated as political actors that forged coalitions for a number of reasons - to pursue specific interests, mitigate risks or guard against uncertainty. Understanding how actors responded to such changes requires an analysis that integrates both collective agency and structure while allowing for a dynamic, longitudinal perspective.

The combination of non-market strategy and social movement literatures provides a particularly powerful analytical lens as these literatures have developed a number of useful concepts that emphasize dynamic interactions by building upon agentic and structural traditions (Baron, 2006; de Bakker et al., 2013; Tarrow & McAdam, 2005). Social movement theory focuses attention on the socio-political embeddedness of the agents that drive both movements and countermovements and how these agents use structural elements as resources in building their movements (McAdam et al., 1996; Snow & Benford, 2009; Soule, 1997). I draw on three inter-related concepts from the social movement literature that have been adapted and incorporated by non-market strategy scholars: political opportunity structure; collective action framing; and scale shift. I briefly explain these below, along with how non-market strategy scholars have adapted and developed these within the non-market strategy perspective.

Political opportunity theory suggests that activists are both constrained and enabled in achieving their goals by their context. Political events and conditions may trigger movement activity and the availability of specific political structures and events in their environments make successful mobilization more likely by influencing actors' actions and strategies. Activists must assess whether these conditions are favorable for action or whether they are likely to encounter a high degree of resistance or even repression (Gamson & Meyer, 1996). Focused on examining national level movements, this research has identified a number of factors, including the openness of a political system, the existence of patronage politics, and the sympathy of political elites (Campbell, 2005; Soule, 2009).

Actors assess these political opportunity structures via their shared understandings. Drawing on Goffman's notion of frame analysis (Goffman, 1974), Benford & Snow have defined these *collective action frames* as "action-oriented sets of beliefs and meanings that inspire and legitimate the activities and campaigns of a social movement organization" (2000, p. 614). Campbell describes frames as serving a dual purpose: as interpretation devices, mediating between the political opportunities and the chosen course of action and as strategic tools developed by actors in pursuit of interests (Campbell, 2005). As such, framing is an inherently strategic and political process, deployed as a means of achieving specific objectives. Their political nature suggests that frames developed by one set of actors may conflict with those developed by others and lead to conflict-laden efforts to establish and institutionalize a dominant frame. These conflicts have been conceptualized in studies of transnational movements' influence at the intergovernmental level as *framing contests* (McCarthy, 1997).

The identification and framing of political opportunities provide the impetus and direction for the organization and scaling of collective action. The governance of global supply chains, the focus of this paper, is by definition transnational and multi-level (supply chains cross national border but yet actors remain embedded in national social, industrial and political contexts). Transnational movements can be effectively examined by drawing upon the concept of *scale shift*, originating in the literature examining the spread of contentious social movements from the national to the transnational level. Defined by McAdam et al. as "a change in the number and level of coordinated contentious actions leading to broader contention involving a wider range of actors and bridging their claims and identities" (2001, p. 331), it suggests that social movement development, success and influence can be understood by analyzing the process by which it spreads beyond its "typically localized origins" (Tarrow & McAdam, 2005); p.125.

In recent years, management and organization scholars have articulated the strong commensurability between management and social movement theories, drawing on social movement concepts to explain a wide range of organizational phenomena (Davis et al., 2005). Social movement theories have been particularly useful in understanding contexts characterized by inter-organizational conflict and contestation around social and environmental issues (de Bakker et al., 2013; Brayden King, 2008). Theorists have developed the concept of *corporate opportunity structures* and *industry opportunity structures* to examine how the characteristics of corporations and industries provide both opportunities and obstacles, making some companies

and industries better targets than others (Briscoe et al., 2014; Schurman, 2004; Soule, 2009). Non-market strategy scholars have shown that these theories apply equally well to examining corporations strategic responses to socio-political pressures. For example, Rao, Yue, and Ingram (Rao et al., 2011) demonstrate how a firm successfully fended off activist attacks by developing a non-market strategy based on variation in community-level regulation. More recently, strategy scholars have also emphasized the benefits of utilizing framing theories to better understand firm-level strategy development and strategic communication (Kaplan, 2008) as well as non-market strategy development (Bach & Blake, 2016). As such, frames provide a useful focus for study as they are easily observable and provide evidence of strategic intent linking political opportunity structures in the environment to a social movement's chosen path of action. Together with scale shift strategies, frames provide a useful way of understanding firms' non-market strategies.

I draw on this conception as the analytical framework for my thesis. In particular I draw on the non-market strategy literature's affirmation that firms' non-market strategies are informed by their market strategies and as such should be considered in tandem. Market strategies effectively become the lenses that are used to read and filter the contextual environment for opportunities and frame these as organizational strategies for scale shift. I draw these concepts together in chapters 4, 5 and 6. Chapter 4 provides an overview of the socio-political context. Chapter 5 then analyzes the founding firms' market strategies that were used as filtering devices to assess political opportunity structures. Chapter 6 then brings the two together by analyzing the framing and organizational scale shift strategies that were developed by the MSIs and BLIs. Together, these three chapters provide an understanding based on social movement theory of how firms' market strategies shaped firms' non-market strategies.

CHAPTER 3: RESEARCH SETTING AND METHODS

INTRODUCTION

The previous chapter provides an overview of the literature on global private governance, research questions investigated and concepts through which these questions will be explored. This present chapter provides an overview of the research setting and methods that were employed. The chapter begins with an elaboration of the empirical context used for this thesis, providing a general overview of the global apparel industry and an explanation of how its structure and evolution have exacerbated the exploitation of labor in developing countries. It also discusses the suitability of this context for addressing the research questions. The second part of the chapter describes the research methods, including research strategy and design, and a discussion of the appropriateness of the case study method for the type of research being conducted. This second section also describes the sources of data, which include interview data and archival documents, and the process by which this data was collected and analyzed. The results of the data analysis are provided in chapters 4, 5 and 6.

EMPIRICAL SETTING

CSR, as we now know it, sprung out of the apparel industry's use of sweatshop and child labor. There are two pivotal events that changed the expectations of business to evaluate the social and environmental impact of its supply chain: the exposure of Nike's business model and Kathie Lee Gifford's [Wal-Mart] clothing line. (Epstein-Reeves, 2010)

Industry scale and importance to national development strategies

The global apparel industry is one of the world's largest and fastest growing industries both in terms of sales and workforce (Gereffi & Memedovic, 2003; UNCTAD, 2013). According to the ILO, 60 million people are estimated to be currently employed in the worldwide textile, clothing and footwear sectors (ILO, 2014) – this is a nearly three-fold increase from 1996, when

the estimated global workforce was estimated to be 24 million (ILO, 1996)¹. The sector is expected to continue growing at a rapid pace, driven in large part by increasing demand from an ever-increasing number of consumers in developing countries enter the middle class - a report by McKinsey&Co anticipates it doubling in size by 2020 (Keller et al., 2014).

The history of the apparel industry is in many ways a history of capitalism and industrialization. It has played a pivotal role in relations between capitalists, employers and workers during the initial economic development stages of most countries, starting with Britain's industrial revolution right up to present day China (Clark, 2007; Mokyr, 1990). The first wave of industrialization in the U.S. was to a large extent driven by textile production (J. L. Esbenshade, 2004). More recently, South Korea and Japan, which are today OECD countries with enviable industrial prowess and some of the world's highest socio-economic standards and quality of life, started their development trajectories in the 1950s as economic backwaters characterized by high levels of poverty and unemployment. The development of an apparel industry was a critical first step to on their path to post-WWII industrialization and national development (Amsden, 1989; Fukunishi & Yamagata, 2014). Similarly, many other countries have relied on the production of apparel in the early stages of their development strategies.

There are two reasons for developing countries' dependence on the apparel industry for industrial development. The first is that that production in the apparel industry is characterized by high labor intensiveness but low skill demands and is relatively easy to set up from an infrastructure perspective (Powell, 2014). As such, it has been viewed as the most feasible path to creating large-scale employment in developing countries. The second is the hope that developing a successful apparel industry will provide the basis for the development of other industries with higher value goods that require more skilled labor (Moran, 2002; UNCTAD, 2013). The debate on whether sweatshops are good for development, under what conditions they might be so, and what can be done to improve labor conditions has raged for some time and continues to do so (Gereffi & Memedovic, 2003; Powell, 2014; Rosen, 2002; Rossi et al., 2014; Singh & Zammit, 2000, 2004; Varley, 1998).

¹ These figures are for the formal sector and as such do not include informal sector workers which are quite prevalent at the lower levels of the supply chain in developing countries. As such, the actual employment figures are likely to be much higher, but difficult to estimate accurately.

The global apparel supply chain's production structure

In recent decades the industry has undergone a significant transformation. While the majority of consumption has remained in developed countries, mostly Western Europe and North America, production has shifted to the developing world, predominantly Asia. The emergence of these cross-national production-consumption chains based on outsourcing to overseas contractors has been facilitated by a confluence of factors. These include the liberalization of trade, the reduction in transportation costs, improvements in information technology, and the standardization of manufactured goods (Gereffi et al., 2005). Large retailers and brands have taken advantage of these conditions to outsource most of their manufacturing. It has become a well-documented phenomenon that many companies in North America and Europe now focus exclusively on design, marketing and sales, outsourcing most or all of their production to overseas factories (Gereffi & Memedovic, 2003). Some observers have referred to this phenomenon as “Nike-fication”, given Nike’s early, whole-scale adoption of the strategy and their prominence in the media for the negative consequences of having done so (Davis, 2015; R. M. Locke et al., 2007; Strasser & Becklund, 1993). However, Nike is the tip of the iceberg, both in terms of the number of companies and the scale at which this is taking place. VF Corporation, for example, one of the U.S.’ largest apparel manufacturers and a major supplier to Wal-Mart, outsourced 94% of its goods outside the U.S. in 2003 – up from 50% in 1998 (Sen, 2008).

As a result of these widespread outsourcing practices, industry employment patterns have undergone a significant transformation as well. While employment in apparel manufacturing has become an important source of employment and revenue for countries such as Turkey, India, Vietnam, Indonesia, Bangladesh and China (Fukunishi & Yamagata, 2014; UNCTAD, 2013), employment in the developed world has dropped dramatically. In the US, employment in the apparel and footwear sector declined by more than 80% in two decades – from a high of 900,000 to 150,000 in 2012 (U.S. Bureau of Labor Statistics, 2012). Similarly in Europe, employment in the sector has dropped significantly – from 3.4 million in 2005 to 2.3 million in 2012, with some countries such as Denmark and Ireland experiencing a drop of as much as 80% during that same timeperiod (European Skills Council, 2014). The bulk of the remaining European workforce is employed primarily in small and medium enterprises (SMEs) which concentrated in four countries - Italy, Portugal, Poland and Romania (European Skills Council, 2014).

The work outsourced to developing countries is almost exclusively assembly operations such as cutting, stitching, and embellishment which involve low-skilled, low-paying jobs. Employment involved in the research, marketing, design and retail of the goods themselves have remained in the developed world. These tend to be much lower in terms of numbers and, with the exception of retail jobs, tend to be higher paying, higher skilled positions compared to much of the work that has been outsourced (Rossi et al., 2014). As a result, the production structure has become highly disaggregated, involving numerous organizations and countries (Gereffi & Frederick, 2010).

The apparel industry's production structure has been classified as "the quintessential example of a buyer-driven commodity chain marked by power asymmetries between the suppliers and global buyers of final apparel products" (Fernandez-Stark et al., 2011, p. 7). A large buyer exerts control over the entire supply chain, composed of smaller companies, often with numerous layers of subcontractors. This production structure has important consequences for how risk is distributed and how value is captured in the supply chain, which in turn has important consequences for labor issues.

The production process is labor intensive requiring a large labor force to manufacture in the massive quantities required by buyers. However, due to rapid pace of fashion, seasonality and shifting consumer preferences, the industry is particularly prone to constant fluctuations and changes in production requirements. The need to ramp up production in a short amount of time, rapid production cycles, frequent changes to orders and requests for urgent deliveries, are the apparel industry's modus operandi (ILO, 2014; Rossi et al., 2014). This particular set of characteristics – high volumes, labor intensive production, rapid changes to requirements, short production cycles, and cost pressures - generates a flexible form of low cost manufacturing that builds a great deal of risk and uncertainty into the system (Bruce & Daly, 2006). It is this combination of production structure and risk that renders the industry prone to labor issues [interview, ILO representative, 2011].

A buyer-controlled supply chain permits buyers in Europe and North America to transfer this risk down along the supply chain to smaller companies that are willing to take an elevated level of risk in order to turn a profit. At some levels of the subcontracting system, the production operation is merely a few sewing machines operating out of a rented space. Such operations have no capital, brand or reputation to protect (J. Esbenshade, 2004). As contract allocation in the

supply chain is predominantly based on price, they obtain contracts by accepting very low pay and turn a profit by maximizing the productivity of the workers they employ, often through various forms of exploitation. Should things go wrong, they can easily close up shop and open up elsewhere (J. Esbenshade, 2004)[interview, ILO representative, 2011]. Moreover, while the contractors and sub-contractors are completely dependent on the buyers in the supply chain for business on non-negotiable terms, the relationship is often through an intermediary that chooses suppliers based on their ability to deliver (Fernandez-Stark et al., 2011). This further exacerbates the problem as it insulates buyers from the consequences of their decisions. The most important selection criteria revolves around the ability to comply with the production requirements demanded by buyers (Chi, 2010; Rossi et al., 2014). Contracts often include clauses specifying financial penalties for not delivering on time (Abernathy et al., 2000).

Description of labor issues: Life inside a sweatshop

The shift in production to developing countries has been accompanied by a well-documented surge in the incidence of labor exploitation as well as activist campaigns focused on the labor and human rights violations involving sweatshop conditions in overseas supplier factories (Locke, 2013; O'Rourke, 2003; Rossi et al., 2014). A sweatshop is a workplace where labor exploitation has become standard business practice. Such practices include various forms of forced labor, with the more extreme cases engaging in human trafficking and modern day slavery (Hapke, 2004; Wetterberg, 2012). Sweatshops are characterized by excessive working hours and meagre wages, insufficient to provide for basic needs and a decent standard of living, referred to by the International Labor Office (ILO) and many human rights NGOs as *living wages* (Anker, 2011). Working conditions range from unhygienic, unreasonably repetitious and dangerous, to demeaning and inhumane. Various forms of abuse, including psychological, physical and sexual abuse are frequently documented. The use of child labor, as well as gender and race discrimination are widespread. Employment may be irregular or precarious and no freedom of association nor collective bargaining rights is granted (Barrientos & Smith, 2007a; Bender & Greenwald, 2013; J. Esbenshade, 2004; Wetterberg, 2012). Such conditions

contravene the ILO's core conventions regarding labor and employment, a key pillar of the international human rights framework² (see the next section).

Since the 1980s there have been numerous accounts of exploitative working conditions. Labor union leaders, activists and reporters -- the early critics of the abuses taking place in the apparel industry -- described the situation in no uncertain terms. The following excerpt by Neal Kearney, former President of the International Textile, Garment and Leather Workers Union, appeared as part of an editorial in the Financial Times just prior to the anti-globalization protests that took place in Seattle:

Trade regulation desperately needs a social dimension. Some garment exporting factories in Indonesia are akin to Nazi concentration camps in the Second World War, while young women workers in Cambodia have recently died at their sewing machines from a combination of 20-hour work days and malnutrition. All such production is for export to Europe and the US. (Kearney, 1999a)

Soon afterwards, a report in *Bloomberg Businessweek* garnered significant media attention with its depiction of life inside a Chinese apparel factory:

Chun Si's 900 workers were locked in the walled factory compound for all but a total of 60 minutes a day for meals. Guards regularly punched and hit workers for talking back to managers or even for walking too fast, he says. And they fined them up to \$1 for infractions such as taking too long in the bathroom. Liu left the factory for good in December, after he and about 60 other workers descended on the local labor office to protest Chun Si's latest offenses: requiring cash payments for dinner and a phony factory it set up to dupe Wal-Mart's auditors. In his pocket was a total of \$6 for three months of 90-hour weeks--an average of about one-half cent an hour. "Workers there face a life of fines and beating," says Liu. (Roberts & Bernstein, 2000)

The following is a description from Harvard Law School's Labor and Worklife Program (LWP) of working conditions in some factories in Bangladesh eight years before the Rana Plaza factory collapse taking place in 2013:

According to a National Labor Committee 2006 report, an estimated 200 children, some 11 years old or even younger, are sewing clothing for Hanes, Wal-Mart, J.C. Penney, and Puma at the Harvest Rich factory in Bangladesh. The children report being routinely slapped and beaten, sometimes falling down from exhaustion, forced to work 12 to 14 hours a day, even some all-night, 19-to-20-hour shifts, often seven days a week, for wages as low as 6 ½ cents an hour. The wages are so wretchedly low that many of the child workers get up at 5:00 a.m. each morning to brush their teeth using just their finger and ashes from the fire, since they cannot afford a toothbrush or toothpaste. The workers say that if they could earn just 36 cents an hour, they could climb out of misery and into poverty, where they could live with a modicum of decency. In the month of September, the children had just one day off, and before clothing shipments had to leave for the U.S. the workers were often kept at the factory 95 to 110 hours a week. After being forced to work a grueling all-night 19-to-20-hour shift, from 8:00 a.m. to 3:00 or 4:00 a.m. the following day, the children sleep on the factory floor for two or three hours before being woken to start their next shift at 8:00 a.m. that same morning. The child workers are beaten for falling behind in their production goal, making mistakes or taking too long in the bathroom (which is filthy, lacking even toilet paper, soap or towels)... Any worker daring to ask for

² Since 2012, 185 of the 193 UN member states are members of the ILO

their proper wages, or that their most basic legal rights be respected, would immediately be attacked, beaten and fired. (Harvard Labor and Worklife Program (LWP), 2006)

Historical context – national regulation and intergovernmental frameworks

The term *sweatshop* originated in nineteenth-century England, notorious for its lack of business regulation and rampant labor abuses. The term was derived from the fact that downward price pressures resulting from intense competition in the English garment and textile industry resulted in profits being extracted from the “sweat” of the wage workers (Wetterberg, 2012). The supply chain structure that resulted, whereby subcontracts were awarded exclusively based on price, thereby fostering the conditions for wide-scale exploitation of the most vulnerable segments of the labor force, became known as the “sweating system” (J. Esbenshade, 2004).

The first documented analysis of the conditions in these factories dates back to the mid nineteenth century. Friedrich Engels’ first book, *The Condition of the Working Class in England*, printed in 1844, portrays the conditions of workers in Manchester, the city at the heart of the industrial revolution (Engels, 1968 (1844)). The term was coined soon after, in 1850, when Charles Kingsley, a British Socialist wrote and published a pamphlet titled *Cheap Clothes and Nasty*. In it, he refers to the owners and employers engaging in labor abuses as “sweaters”:

For at the honourable shops, the master deals directly with his workmen; while at the dishonourable ones, the greater part of the work, if not the whole, is let out to contractors, or middle men - "sweaters", as their victims significantly call them - who, in their turn, let it out again, sometimes to the workmen, sometimes to fresh middlemen; so that out of the price paid for labour on each article, not only the workmen, but the sweater, and perhaps the sweater's sweater, and a third, and a fourth, and a fifth, have to draw their profit. And when the labour price has been already beaten down to the lowest possible, how much remains for the workmen after all these deductions, let the poor fellows themselves say! (Kingsley, 1850)

Kingsley’s account, echoes descriptions of England’s industrial revolution as *Dark Satanic Mills* (Thompson, 1964). He describes the sweating system as a transformation of the honorable trade of tailoring, which required considerable skill and required an apprenticeship, to a system of unskilled production exclusively based on division of labor and price competition. This division of labor and competition between contractors and subcontractors produced both greater profits and deplorable, poverty-laden working conditions (Kingsley, 1850). The sweatshop phenomenon grew to considerable scale when the in the 1870s clothing moved from being a luxury good made to order for the select few that could afford it, to being a commodity produced for the masses (J. L. Esbenshade, 2004).

In Britain, a combination of improved production technologies and government regulation, including *The Factory Act* of 1878, which regulated working conditions, brought the most egregious sweatshop labor practices under control. In the U.S., a series of large-scale disasters, including the infamous Triangle Shirtwaist Factory fire in New York City led to the birth of the organized labor movement and the passing of sweeping labor regulations (Economist, 2011; Von Drehle, 2004). New Deal regulation in the 1930s, including the Wagner Act (also known as the National Labor Relations Act), greatly strengthened these, granted labor the right to organize, be represented and bargain (Gordon, 1998). Much the same pattern played out in most developed countries at the beginning of the twentieth century – a combination of improved technologies, regulation and labor unionism significantly curtailed the problem (Marques, 2010; Ross, 2004).

Steps towards dealing with the problem at the global level were first taken in the middle of the twentieth century. The UN Universal Declaration on Human Rights, adopted by the United Nations General Assembly in 1948, provided a global framework for defining, identifying and prohibited sweatshops. Article 23 of the declaration states the following:

(1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. (2) Everyone, without any discrimination, has the right to equal pay for equal work. (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. (4) Everyone has the right to form and to join trade unions for the protection of his interests. (UN General Assembly, 1948)

Throughout the latter part of the twentieth century a series of intergovernmental conventions strengthened the global framework for defining, identifying and prohibiting unethical labor practices. The two most prominent include the *ILO Declaration on Fundamental Principles and Rights at Work*, and the *OECD Guidelines for Multinational Enterprises*. The *OECD Guidelines*, first adopted in 1976, are part of the *OECD Declaration on International Investment and Multinational Enterprises*. They are recommendations by governments to multinational enterprises in the form of voluntary principles and standards for responsible business conduct. There are ten sections to the guidelines, including one on “employment and industrial relations” (OECD, 2008).

The ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998, commits all of the ILO Member states to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions: 1) Freedom of association and the effective recognition of the right to collective bargaining; 2) The elimination of forced or

compulsory labor; 3) The abolition of child labor and 4) The elimination of discrimination in respect of employment and occupation (ILO, 1998).

Globalization, modern-day sweatshops and the emergence of private regulation

Although labor unions, national regulations and international conventions brought the problem under control, it was not eradicated. It persisted to a lesser degree in developed countries, often at the margins of society, as part of an underground economy and in particular geographic areas such as certain parts of California, where a consistent and large influx of illegal immigrants enabled unlawful sweatshops practices (Hapke, 2004; Von Drehle, 2004). It also persisted in many developing countries, where labor unions and national regulations were weak or where resources required for implementation were lacking (Fung et al., 2001; Jenkins et al., 2002).

Trade liberalization is argued to have magnified and exacerbated such problems in a dramatic way. The combination of western multinationals, driven by strong demand for lower costs, shifting their production to developing countries, coupled with developing countries' desire for foreign direct investment (FDI), fostered the conditions required to fuel the widespread diffusion of sweatshops (Bartley, 2009; Bender & Greenwald, 2013; Fung et al., 2001). As outsourcing to overseas production facilities in developing countries began in the 1970s and became commonplace in the 1980s, sweatshop problems resurfaced on an unprecedented scale (Merk, 2011). In a World Bank report on the issue, Sabel et al. describe the problem as follows:

Transformations in the global economy have outpaced traditional labor laws and regulatory institutions. As firms decentralize their decision-making over sprawling supply chains and investments flit across national borders, they undermine what regulatory order there was in the world's labor markets. Partly as a consequence, the present wave of globalization has given rise to widespread abuses, including child labor, punishingly long work days, harsh discipline, hazardous work conditions, sexual predation, and suppression of the freedom to associate and organize. These forms of servitude recall outright slavery in some instances, and provoke moral outrage the world over whenever they come to light (2000, p. 4)

The governments of the developing countries to where production shifted either lacked the regulatory capacity for dealing with labor issues, or simply turning a blind eye to the labor exploitation taking place. There were many reasons – political corruption, regulatory and institutional gaps and a belief that such practices were a first step towards industrialization, were

some of the main drivers (J. L. Esbenshade, 2004; Singh & Zammit, 2000; Utting & Marques, 2009).

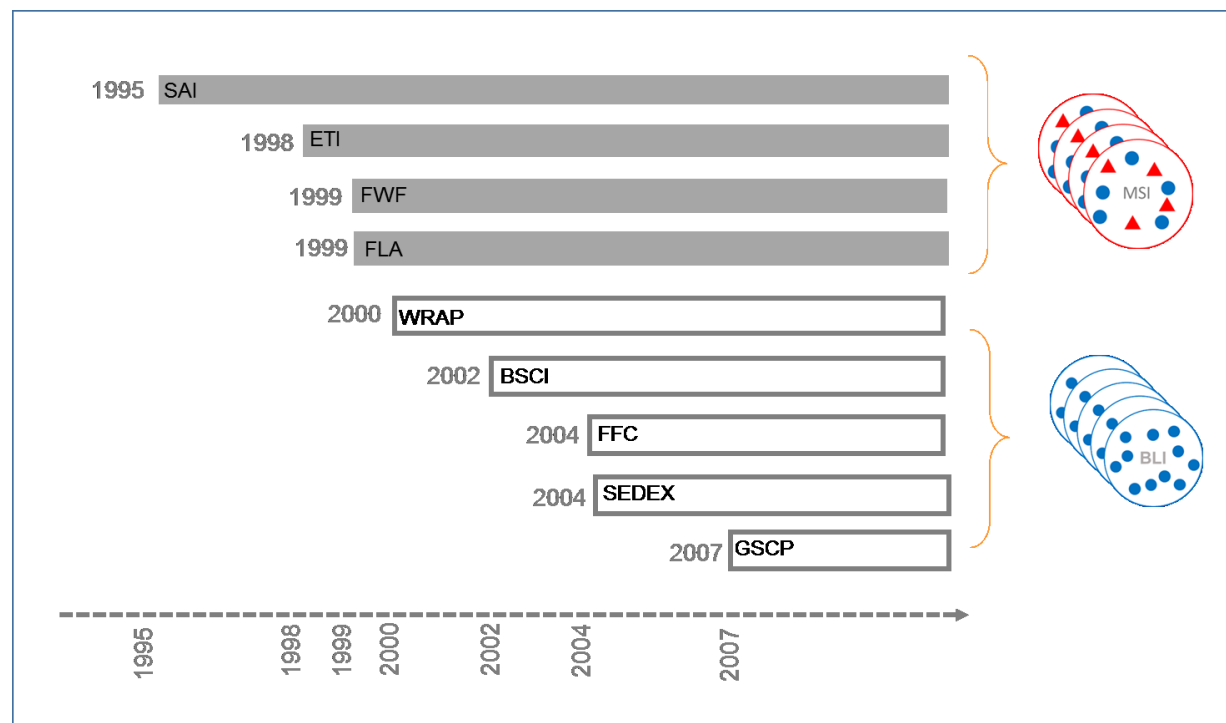
Intergovernmental agreements such as the ILO conventions and the OECD guidelines that attempted to address the issue (referred to above) were ineffective. This is largely attributed to the fact that these guidelines are voluntary and lacked any form of sanctioning mechanisms (Brown & Woods, 2007; Ruggie, 2003; Utting, 2002a). Varied suggestions to strengthen ILO and OECD provisions by making them legally binding or introduce requirements into the WTO agreements (Evans, 2003; Rodrik, 2001; Standing, 2008) proved unworkable because they were construed as “nontariff barriers to trade” and impediments to the proper functioning of global markets (Bartley, 2007).

Instead, a market-based approach based on voluntary self-regulation emerges as an alternative approach to deal with sweatshop labor. This approach, promoted by the British, Canadian, and U.S. governments, is based in part on the growing number of principles and codes in the 1980s, and the success of the Sullivan Principles in contributing to regime change in Apartheid South Africa (J. L. Esbenshade, 2004; Haufler, 2001). The apparel and forestry industries were the two industries where private regulations first emerged with apparel in particular, being thrust into the public and media spotlight (Bartley, 2003; Conroy, 2007). Political pressures along with an unswerving groundswell of activism pressuring corporations to deal with their supply chain issues eventually leads to the development of a new form of regulation (Bendell, 2004; Utting, 2002a). In both the U.S. and Europe numerous MSIs are formed, for the purposes of establishing codes of conduct and certifying auditors to monitor and report on conditions in supplier factories. Such collaborations involve NGOs and firms, and in some cases, trade unions, focus on raising consumer awareness of the issues in order to increase demand for more ethical products and provide the information required for them to make such choices (Conroy, 2007; Fung et al., 2001). The standards and codes of conduct developed by such organizations are all based upon intergovernmental conventions regarding labor and human rights. Soon after the formation of these MSIs, industry groups in both the U.S. and Europe mobilize to establish their own, business-led initiatives. Formed exclusively of corporations, these private regulatory coalitions exclude NGOs and trade unions from their governance structure and as such are BLIs (see Table 1 and Figure III).

Table 1 - Global apparel supply chain – private regulatory initiatives

Organizational Form	EU-based	US-based
MSIs (multi-stakeholder initiatives)	FWF (Fair Wear Foundation, Amsterdam) ETI (Ethical Trading Initiative, London)	FLA (Fair Labor Association, Washington) SAI (Social Accountability International, New York)
BLIs (business-led initiatives)	BSCI (Business Social Compliance Initiative, Brussels) Sedex (Supplier Ethical Data Exchange, London) GSCP (Global Social Compliance Programme, Paris)	WRAP (Worldwide Responsible Accredited Production, Washington) FFC (Fair Factories Clearinghouse, New York)

Figure III - Timeline of private regulatory initiative foundings



Framing the research setting in time and space

The empirical analysis for this thesis is bound in both time and space. Chronologically, it spans from the late 1980s, when the first investigative reports of sweatshop labor practices in overseas factories were first published, to 2010. This period of time, spanning more than two decades, covers the complete development of the anti-sweatshop movement and the formation and deployment of a corporate countermovement.

In terms of geography, the analysis is focused on North America and Western Europe. The reason for this is that, while the apparel industry's supply chain is often referred to as global in scope, production and consumption occur in a few specific regions of the world. While production occurs primarily in developing countries (mainly Bangladesh, China, Mexico, Vietnam, etc), consumption is primarily a North American and European phenomenon - these two regions accounted for 72% of global apparel imports in 2002 (Jones, 2006). The model for private regulation that developed is based on reputational pressures stemming from consumer-market demand. As a result, nearly all the activity surrounding private certification systems has been based in Western Europe and North America. Although the supply chains in question touch down in developed countries, and the certification of factories takes place in those countries, the debates, media coverage, dialogues, campaigns and coalitions are an overwhelmingly western phenomenon. The organizations studied in this thesis - MNEs under scrutiny for their buying practices, the NGO activists that target them, MSIs, BLIs and their founders - are all located in Canada, the United States or Western Europe, particularly The Netherlands and the UK. As such, this phenomenon is best understood as "transnational" rather than "global".

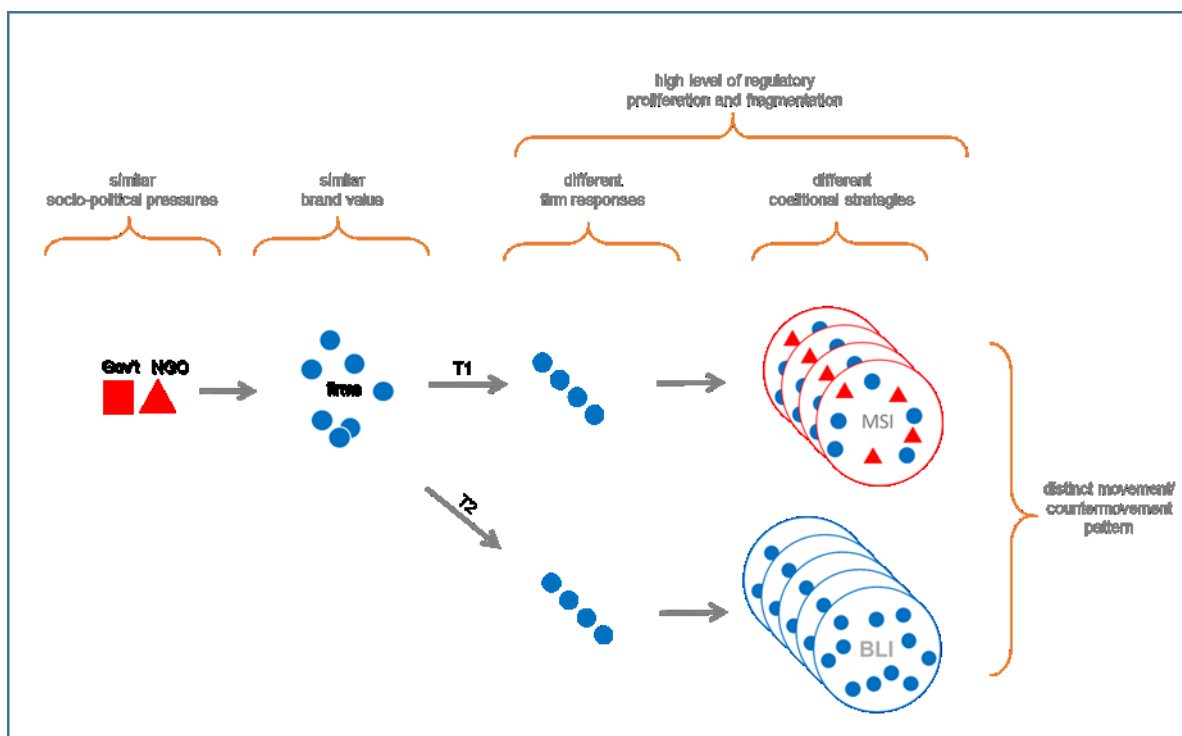
Suitability for research objectives

Efforts to deal with the modern day sweatshop issue in the global apparel industry provides an ideal setting to address the research objectives because it is demonstrably high in the criteria specified by existing theory but produces a completely different outcome. The current literature suggests that firms are likely to join MSIs if they are 1) subjected to reputational threats resulting from high levels of socio-political pressures, and 2) highly differentiated from a marketing-branding perspective. These conditions — high levels of socio-political pressures resulting in strong reputational threats, and a high differentiation amongst companies -- characterize the apparel industry. Yet, contrary to extant theory, the outcome of this intense pressure to address the labor abuses in the global supply chain produced a considerable proliferation of regulatory initiatives and a distinct movement-counter movement pattern (see Figure IV). These points are further explained below.

Similar socio-political pressures leading to reputational threats: The modern day sweatshop issue first came to public attention in the early 1990s when widespread media focused attention on the apparel industry's outsourcing practices. The apparel industry is likely the most

targeted industry by activist campaigns for its labor violations involving sweatshop conditions in overseas supplier factories (O'Rourke, 2003). This is partly because of the scale of the industry and the fact that it is a highly visible consumer goods industry that makes for an easy target for activists – the clothes and shoes we wear are of a highly personal nature and in many cases constitutive of individuals' identities (Jones, 2006). Both the companies that went on to found MSIs and those that went on to found BLIs were subjected to similar levels of socio-political pressure and reputational threats.

Figure IV - Suitability for research objectives



Similar brand value: Operating in a highly visible consumer goods industry, firms in the industry have invested into the development of strong brands. Apparel industry companies regularly rank high on measures and surveys of brand value. For example, the annual *Most Valuable Brands* survey by Forbes Magazine consistently lists Nike and Wal-Mart as having some of the corporate world's most valuable brands, with nearly identical brand values (see

Appendix B). These brands also happened to be the two most targeted by anti-sweatshop activists.

High level of regulatory proliferation and fragmentation (different firm responses and coalitional strategies): While a number of industries such as electronics, toys, furniture and carpet-making have been linked to the use of sweatshop production practices, the global apparel industry has been the most prominent, partly because of the widespread use of such labor practices and the scale at which such practices have taken place, in large part facilitated by the ease in setting up such facilities and the fact that the industry is one of the world's largest industries. With four MSIs and five BLIs, the apparel industry is illustrative of a highly fragmented private governance structure.

Distinct movement-counter movement pattern: As outlined above, an initial wave of MSI formation took place in the 1990s. Subsequent to this, numerous BLIs were formed (see Figure III above). All of these MSIs and BLIs remain active to the present day. Although MSI standards are generally viewed as more credible (Mena & Palazzo, 2012; O'Rourke, 2003; Turcotte et al., 2007; Utting, 2014; van Huijstee, 2012), BLIs have become increasingly prominent in the apparel industry (Fransen, 2011b). The latter have been branded as illegitimate by social movements and severely criticized for their exclusion of NGOs from their governance structures. Yet, despite initial expectations of convergence around MSIs, these have struggled to grow in size or create harmonized regulatory systems. Rather, BLIs have become dominant regulatory players both in terms of size and membership.

METHODS

Research Strategy

The characteristics of the phenomenon and associated research questions determined the research approach for this thesis. As outlined above, existing theory is incapable of explaining how and why firms facing similar socio-political pressures choose different coalition strategies and what sorts of strategies these coalitions develop and employ. As there is a general lack of theory concerning the phenomenon, and it develops over a long period of time, a qualitative, longitudinal, case study approach was chosen.

The use of a qualitative, case study research method provides a holistic perspective that goes beyond relationships between variables to generate a nuanced, contextualized account (Mintzberg, 1979). Such an approach permits the investigation of poorly understood phenomena via rich descriptions that permit the study of complex interactions and specification of patterns, processes and mechanisms (George & Bennett, 2005). This richness of description provides "... the opportunity to explore holistic explanations within and between cases" (Pettigrew, 1992, p. 10) and permits the transferability of findings to other settings and contexts (Lincoln & Guba, 1985). I use the concept of *transferability* rather than *generalizability* or *external validity* as these are associated with the quantitative research paradigm and unsuitable for describing qualitative research results and objectives (Lincoln & Guba, 1985; Shah & Corley, 2006). Within the qualitative research paradigm, external validity is replaced by the concept of transferability. Transferability is the ability to apply research results to situations with similar parameters, populations and characteristics. Ultimately, "it is the contextual detail in the narrative that will allow the reader to judge the transferability of the ideas" (Langley, 1999, p. 695).

The lack of contextual factors has been identified as an important shortcoming in research on organizations (Johns, 2006), including the international management (Michailova, 2011) and CSR literatures (Aguilera et al., 2007; Margolis et al., 2007; Rowley & Berman, 2000). Qualitative methods, including longitudinal and historical approaches, have been specified as desirable for the study of strategic management (Bettis et al., 2015; Mintzberg, 2007; Vaara & Lamberg, 2016) and international, inter-organizational cooperative efforts addressing critical sustainability issues (Doz, 2011) – precisely the foci of this study.

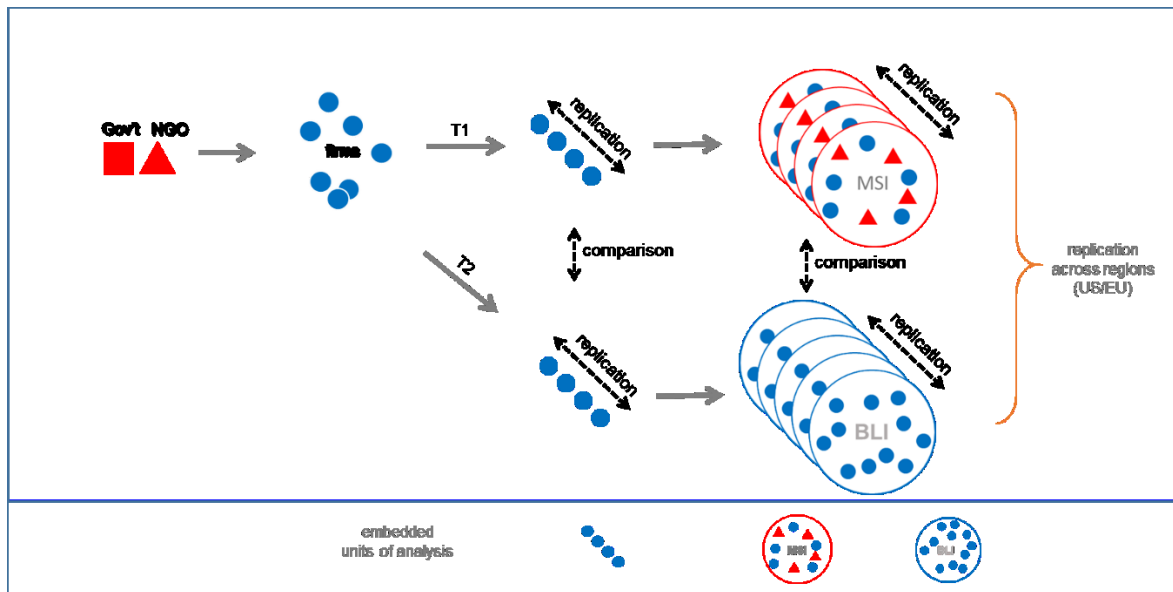
I use theoretical sampling (Eisenhardt & Graebner, 2007; Glaser & Strauss, 1967) (sometimes referred to as purposeful sampling) to select my case. The selected case has been identified in both the practitioner and academic literature as the paradigmatic case of the phenomenon of interest (the formation of a BLI counter-movement contributing to private governance proliferation). As such, it provides an ideal research setting as it can be considered an extreme example useful for making the phenomenon of interest "transparently observable" (Pettigrew, 1990). An embedded case study design (Yin, 2002) permits a multi-level analysis that effectively responds to calls for a more encompassing approach and overcome the difficulties associated with case studies of specific initiatives referred to in the previous chapter.

As the movement-counter movement phenomenon under study develops over a long period of time and as I am interested in understanding its dynamics, I employ a longitudinal perspective. Understanding relational dynamics of actors requires a processual approach that traces the actions of movements and the counter-responses to those actions, often over multiple cycles (Langley, 2007; Langley et al., 2013). Considering historical context, by tracing over long periods of time, becomes essential to grasping the phenomenon (Mintzberg, 2007). This entails collecting data that spans multiple cycles in order to track the development of the various coalitions, their strategies, and the underlying causal processes (George & Bennett, 2005; Miles & Huberman, 1994; Mintzberg, 2007). Following Hoffman (1999), Barnett & King (2008), and Bartley (2007), I begin examination of the case just prior to the emergence of private governance initiatives, as a means of isolating the mechanisms driving the observed phenomenon.

Research Design

The research design permits the analysis of the development of the governance coalitions and the coalitional strategies from a comparative perspective. There are two levels of comparison. The first compares the formation and evolution of the MSI and BLI coalitions. The second is the comparison between the US and EU regions. In both regions, socio-political pressures emanating from NGOs and governments are similar. These firms had similar levels of brand value and were therefore exposed to similar levels of reputation threats. Yet, in each of these regions, firms reacted differently and their reactions can be clustered into two different groups (see Figure V below). Because both the socio-political pressures and brand values are similar but the reactions differ, the design allows me to control for explanations based on differing levels of socio-political pressure and those based on differences in reputational threats resulting from different brand values.

Figure V - Research design



In this study, BLIs and MSIs, as well as their founding members, become embedded units of analysis within the industry case study. The study of the embedded units of analysis is based upon a modified application of replication logic (Eisenhardt & Graebner, 2007; Eisenhardt, 1989) – rather than replication across cases I look for replication across units of analysis. This entails identifying commonalities in strategic behavior between firms that join MSIs and those that join BLIs as well as identifying commonalities in strategic behavior between MSIs and BLIs. Each of the research questions focuses on a different embedded unit of analysis – Question 1 (Why do firms adopt different coalitional strategies in response to similar socio-political pressures?) examines the firms that establish the coalitions; Question 2 (What strategies do MSI and BLI coalitions employ?) examines the MSI and BLI coalitions once they have been established.

Data collection

The data used for this project were collected over three distinct phases – pre-project, pilot study and formal data collection.

Pre-project:

The first phase predates this thesis project and was collected while working on previous research while employed at the United Nations Research Institute for Social Development (UNRISD) from 2006 to 2008. As part of this earlier work, I attended several conferences at the United Nations and the ILO in Geneva on the topic of private governance and regulation in the global apparel and agricultural industries. These events provided initial familiarization and insight into the phenomenon and its evolution, possible research questions and the key actors involved. It also provided a considerable amount of background data on the issue, consisting of presentation slides, white papers, academic papers and handwritten notes capturing presentations, debates and personal conversations. The numerous calls for academic research voiced at these events provided the initial impetus for and formulation of the current project.

Pilot study:

A second phase consisted of a pilot study conducted between October 2011 and December 2012, conducted to further explore the general issues and concepts, validate practitioner interest in the study, and assess feasibility. This preliminary phase consisted of organizing the data collected while attending the ILO and UN conferences mentioned above, and combining it with data from a number of secondary sources including the numerous books, newspaper and magazine articles that had been written on the topic of globalization, outsourcing, sweatshops and regulation of global supply chains. I began by compiling this data into a high-level timeline of events and an interview guide.

Initial interviews drew on a network of contacts established during the pre-project phase – representatives from inter-governmental organizations (IGOs) and independent consultants, as such informants have a high-level familiarity with the issues and tend to have a broad network of contacts which can serve as a useful resource for compiling a list of possible interview participants. Interviews were less structured than in the following phase, and in keeping with the longitudinal approach of this study, were intended to establish a high-level understanding of the empirical setting, its evolution, main actors, and critical junctures before engaging the data collection effort at a more granular level. In total, nine interviews were held during the pilot study.

Preliminary findings resulting from this pilot study permitted: 1) confirmation of the relevance and feasibility of the study and assessment of the initial research design, 2) identification of key inflection points in the chronology I had compiled to focus on during my interviews; 3) development of a data collection strategy, including an estimate of the interviews required for theoretical sampling saturation and a list of archival data sources and informants to contact. This preliminary phase led to further elaboration of the empirical scope and research questions. The initial research design was a comparative study of the apparel and electronics industries (both dealt with sweatshop labor practices). Results of the pilot study revealed that a comparative study of two industries was not feasible given the qualitative, longitudinal approach required and time and resource constraints. The study also confirmed that the apparel industry on its own provided a fruitful context for the investigation.

Formal data gathering:

Data was gathered from a number of different sources, including semi-structured interviews and archival data, particularly trade publications, specialized CSR practitioner journals, and MSI or BLI annual reports (see Table 2 below). The complete dataset is composed of 34 interviews with 31 different individuals and 474 archival documents covering a twenty-five year period.

Table 2 - Data sources

Source 1 Interview data	Source 2 Archival data produced by MSI/BLIs	Source 3 Third party archival data
Representatives from: <ul style="list-style-type: none"> • Firms (11) • BLIs (10) • MSIs (7) • NGOs (5) • Government (5) • IGOs (4) • Consulting firms (4) 	<ul style="list-style-type: none"> • Codes of conduct • annual reports • press releases • membership lists • policy documents • promotional videos • conference presentations and reports 	<ul style="list-style-type: none"> • Reports, analysis, and blogs by specialized agencies, consulting firms and research NGOs • Media scans (newspapers, trade journals, and specialized CSR media) • Interviews conducted with media outlets
34*	261	213

* The numbers in brackets in the interview data column refer to the number of interviews conducted with each type of organization. As some interview participants represented more than one category (e.g. firm and BLI), the number of interviews in brackets do not add up to the total number of interviews.

Archival data was collected from a number of sources. Comprising some of the world's best known companies such as Nike, Adidas, Gap, Levi's, Tesco, Carrefour and Wal-Mart, the industry's production and sourcing issues and practices are highly scrutinized and analyzed. The sweatshop issue in particular has been extensively investigated, analyzed and reported on. Consequently, a large volume of data is publicly available. Newspaper articles, government hearings, policy documents, specialized media and NGO reports, expert analysis in specialized trade journals and academic studies are plentiful and provide an abundant source of data. Data were collected from the following sources:

- Government sources (hearings, policy documents and government reporting): Congressional hearings and policy documents both in the United States and European Union provide considerable detail of different actors perspectives on the issue at specific points in time. In some cases, these provide considerable detail on the actions taken by actors and their rationale for so doing. While no longer published, *The Congressional Quarterly*, a weekly magazine, reported on many of the events in the U.S. government;
- Intergovernmental reports: A number of intergovernmental organizations including the ILO, UNCTAD, UNIDO and the World Bank produce reports that provide considerable data on the industry;
- Industry trade publications: The most prominent trade publication in the apparel, footwear and textile industries include *Just-Style*, *Footwear News*, *Apparel News*, *Women's Wear Daily*, *Bobbin* and *Textilia* many of which provide archival access to the complete history of articles via Factiva.
- Specialized CSR publications and online news outlets: *Ethical Corporation*, *TriplePundit*, *CSRWire* and the *Business & Human Rights Portal* all provide coverage of the industry from a CSR and sustainability perspective;
- Other specialized publications: *Chronicle of Higher Education*
- Supply-chain focused publications: *Supply Chain Digest*, *Supply & Demand Chain Executive* and *JOC.com* (previously known as the *Journal of Commerce* and as *US Trade and Container Shipping News*) provide considerable coverage of the industry from operations, logistical supply chain and trade relations perspectives.

- General media: the Factiva database was used to search for articles in the general press. This included extensive coverage of sweatshop issues in leading newspapers such as *Bloomberg*, *BusinessWeek*, *Newsweek*, *The Economist* and *The New York Times*.
- Video interviews and public speeches: YouTube, TED.
- NGO and trade union federation reports: A number of activist NGOs and trade union federations produced reports, white papers and newsletters that were useful both for documenting the sweatshop investigations, the NGO and union tactics and corporate responses. The main sources include: Maquila Solidarity Network (MSN) located in Toronto; SOMO Centre for Research on Multinational Corporations (SOMO) and The Clean Clothes Campaign (CCC), both located in Amsterdam; The American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), Institute for Global Labour and Human Rights (formerly known as the National Labor Committee), and the Worker Rights Consortium (WRC), all located in Washington, D.C.
- Policy documents, annual reports and long-term evaluations of MSIs & BLIs: Documents produced by the organizations themselves were collected from their websites. These included newsletters, annual reports, guides, reports and relevant website pages from all the MSIs (SAI, ETI, FLA, FWF) and BLIs (BSCI, WRAP, FFC, Sedex and GSCP). Many of these have reached the 10 year mark and have produced detailed public evaluations of their efforts.
- Conference reports and blogs: A number of MSIs organize regular conferences and a number of consultants and advisors actively maintained blogs in which they provided “insider commentary” on specific events, including conferences, meetings and negotiations.

Interviews were conducted between October 2011 and March 2015 with participants from firms, business associations, activist NGOs, research NGOs, MSIs, consulting firms, government agencies and international intergovernmental organizations. When possible, in-person interviews were conducted at the informant’s work location. Locations for on-site interviews included Amsterdam, Brussels, Geneva, and the San Francisco Bay Area. The remainder of the interviews were conducted over the telephone or by Skype. Participants were normally contacted by email or by LinkedIn. The initial communication provided a brief description of the project and a request for a 45 to 60 minute interview. Of the 42 individuals contacted, 4 did not respond to the request, 2 responded stating that they wished not to participate, and 2 had to be canceled for

various reasons. Interviews were conducted with 31 individuals. Of these, 3 asked that the conversation be considered "off the record" once the interviews were completed (which meant that the data they provided not be included in the study), 5 asked that only notes be taken during the interview (ie: did not agree to audio recordings or transcripts), and 26 agreed to being tape-recorded and having transcripts made of the tape recordings. Some participants were interviewed more than once, which added up to a total of 34 interviews.

A semi-structured interview approach was used in order to achieve a working balance between comparability and flexibility. Although efforts were been made to ensure that similar questions are asked across all respondents (to permit comparison), in keeping with an inductive approach, some flexibility was allowed as a means of permitting respondents to convey what aspects they felt were most salient, based on their perspective and experience (Shah & Corley, 2006). Such an approach can be considered as a "guided inductive" approach as it provides structure for comparison between cases but permits the discovery and exploration of new concepts.

The focus of the interviews was on the reconstruction of event sequences and description of events, debates and inter-organizational interactions from the participants' perspective. Emphasis was placed on gathering as rich a description as possible concerning events and actors' intentions. How managerial decisions were taken and organizational strategies developed were stressed. A variety of concepts were explored including perspectives on regulatory competition, and the credibility, performance, success, and challenges faced by the governance initiatives and certification systems. A generic interview guide was created and was then tailored to each interview participant (see Appendix B for example of the generic interview guide used for MSIs/BLIs). Requests for suggestions for future interview participants and archival documents were made during each of the interviews. In some cases, participants requested to review the interview transcript in order to provide further clarification and offered to provide feedback on the preliminary analysis as the project progressed.

Data challenges

A number of challenges were encountered while collecting interview data. First, due to the political nature of the phenomenon and high level of media attention, some individuals and organizations were highly cautious regarding participation and what they perceived to be

discussion of issues of a “sensitive” nature. As highlighted by Newitt (2013), BLI organizations tend to be difficult to study compared to MSIs as they tend by nature to be less transparent and protective of their members. In some cases this was due to prior negative experiences in speaking to researchers and concerns with data being used for NGO campaigns. As outlined above, a pre-project phase working for the UNRISD provided some familiarity with some of these organizations and provided contacts with a number of individuals which facilitated introductions. A number of participants agreed to speak “off the record” or later requested to not have the interview data used in the study. For the most part these individuals were able to suggest substitute data in the form of archival material which permitted evidence and support for the analysis. In a few cases some interviews had to be cancelled prior to the meeting as participants requested that I sign a non-disclosure agreement (NDA) that would have restricted my use of the data and made it available for editing by their legal teams. Agreeing to such a request would have introduced an element of risk that may have endangered the entire project and so any such requests by interview participants resulted in a termination of the interview request. A second cancellation resulted from a targeted participant’s suggestion that a research interview could be granted in exchange for consulting services.

A second challenge entailed securing interview time with public figures and executive-level managers during the particular timeperiod in which the bulk of the data gathering was taking place. While such individuals frequently receive requests for interviews from media and academics, the formal data collection phase for this project coincided with the Rana Plaza factory collapse that took place in Banagladesh in April 2013. The collapse brought the sweatshop issue back into the media spotlight and resulted in an overwhelming number of media requests for interviews from some of the individuals listed on the interview plan for this project. Gaining access to these individuals required an extension of the formal data collection phase and a considerable amount of networking and time building relationships and trust. Frequently, this involved introductions from other participants and/or several preliminary and preparatory conversations with their staff to provide detail, discuss research objectives and confidentiality concerns, before consent was obtained. A rich resource for dealing with such challenges was the surprisingly vast research methods literature on interviewing elites and political figures and getting past the public veneer and routine public relations statements (Hertz & Imber, 1995; Hirsch, 1995; Useem, 1995; Welch et al., 2002).

Ensuring credibility

Longitudinal studies of this nature are subject to a number of particular challenges. Retrospective bias often arises from ex post reflection by interview subjects (Huber & Power, 1985) and archival data is also subject to possible sources of bias including “selective deposit and survival” (Pettigrew, 1990, p. 277). Moreover, some key actors were deceased, or could not be tracked down either because they had retired or had moved industry. Validity challenges arising from retrospective bias, selective deposit and survival and target participant disappearance were dealt with in a number of ways. Sourcing data from various sources and using multiple types of data enabled convergent validity through triangulation (Denzin, 1970; Jick, 1979) by matching the recounting of events in interviews with other interviews and with archival data. Data sourced from interviews with various participants was compared in order to assess divergent perspectives and varying points of view on the same phenomena. Particular emphasis was placed on securing documents that would substitute for interview data and wherever possible, data sources included “archival traces” produced when the events were unfolding (Langley, 2010, p. 737).

In some cases, portions of the analysis were presented to interviewees and feedback requested on the contents. Requests for such feedback were normally made in the weeks or months following the interview. Doing so served two purposes. First, it provided checks on the precision, fairness, comprehensiveness and overall internal validity of the analysis (Patton, 2002, p. 560). Second, it provided guidance on how to proceed for subsequent interviews (Gioia et al., 2013).

Data Analysis

The data were analyzed in an iterative three stage process that included: 1) the temporal ordering of data and creation of a detailed event history database; 2) initial in-vivo data coding in order to develop an initial narrative of the events, key factors and appropriate “temporal brackets” (Langley, 1999); 3) axial coding of all initial coding and refinement of the analysis. Although there were three identifiably distinct stages, a considerable amount of iteration within and between stages of analysis took place, with a considerable amount of overlap between the

collection of data and the analysis, a frequently used approach for inductive theory building (Eisenhardt, 1989).

In a first stage, secondary data was temporally organized to produce a detailed chronology of events related to private governance initiatives in the global apparel industry. I supplemented my preliminary knowledge and data of the context, drawn from participation at various ILO and UN conferences, with more detailed data available in academic studies, books, websites, annual reports, media coverage, specialized trade journals, and analyst reports. The resulting longitudinal event history database (Hardy & Maguire, 2010; Van de Ven & Poole, 1990) provided a comprehensive account spanning initial events in the 1980s up to and including events in recent years. This event history database was first created as a coded MS Word file that grew to over 55 pages in length. Its contents provided a detailed reconstruction of event sequences and a preliminary narrative. The objectives of creating the database were twofold: provide a detailed basis for understanding the sequence of events and the main stakeholders; embed the specific developments regarding private governance in broader the broader socio-political landscape. This longitudinal event history database was used as the basis for the contents of chapter 4.

In a second stage, all data, including documents and transcribed interviews were coded in an inductive manner using AtlasTi qualitative analysis software. During this stage, I used an “open” approach, using “in vivo” codes that kept the analysis very close to the data, replicating the language used in the interviews and documents (Corbin & Strauss, 2008). This empirically grounded analysis and classifications of the data resulted in the generation of a significant number of first order codes that were grouped into various categorizations. In addition, as a means of validating and refining the timeline, codes were also used to temporally order the archival documents and data generated from interview passages. During this stage, interpretation of the data was conducted in the form of an initial narration of events (Langley, 1999) as a means of creating an initial theorization concerning the distinct phases and events in the evolution private governance in the industry. In each of these phases emphasis was placed on how actors were interacting with each other and engaging with the issue.

The third stage of analysis involved axial coding, whereby initial first order codes were grouped together into more theoretical categories and aggregate dimensions. During this stage, the initial theorization concerning distinct phases in the evolution of the field created in stage 2

was further refined and theorized resulting in more conceptual understanding of the actors strategies and the mechanisms that produced specific outcomes.

CHAPTER 4: WHAT? PRIVATE REGULATORY MOVEMENTS AND COUNTERMOVEMENTS IN THE GLOBAL APPAREL INDUSTRY (1988-2012)

INTRODUCTION

This chapter provides a historical narrative of the selected case study – the development and evolution of private regulation in the global apparel industry. It picks up where the broad overview of the empirical setting in the previous chapter leaves off in the years just prior to the development of private regulatory systems in early 1990s. The findings in this chapter are the result of the analytical process outlined in chapter 3. Drawing on the event history database (Van de Ven & Poole, 1990) generated from the integration of archival and interview data, I present the final condensed narrative outlining three distinct phases in the evolution of private regulation in the global apparel industry (see figure VI below).

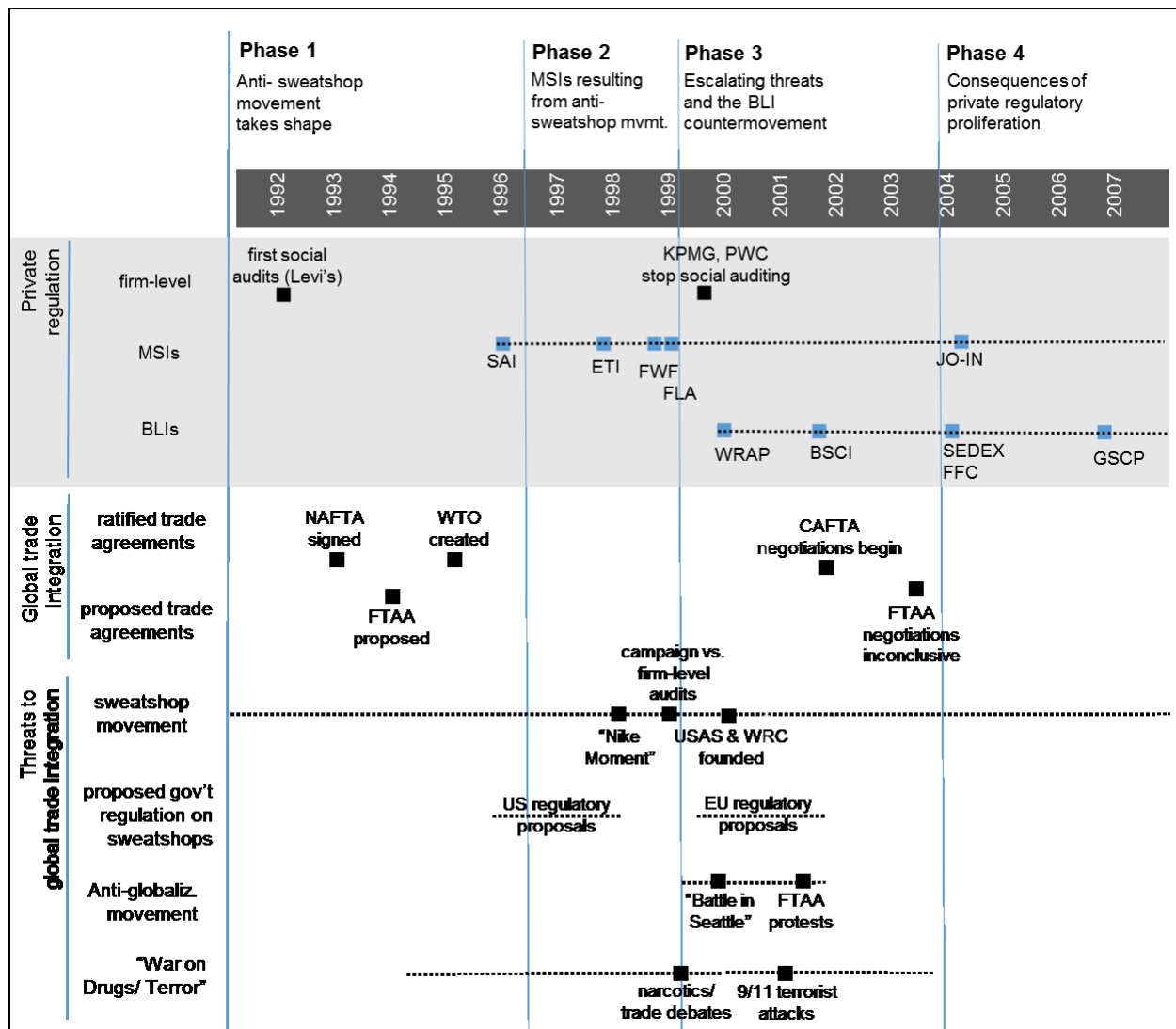
The purpose of this present chapter is twofold. First, it is intended to ground the analysis of private regulation in its socio-political, historical context. Significant world and national events that took place during the time the private regulatory system was evolving had a considerable impact on the perceptions and actions of the various actors and greatly influenced how and why they shaped the institutions as they did. Yet, such events and their influence merely serve as backdrop to most of the existing research on private regulation. Research conducted for this thesis suggests that the proliferation of private regulation in the apparel industry needs to be understood as an outcome of the process of trade integration and the social, political and commercial tensions that it created. As such, the narrative in this chapter is intended to provide the reader with a clear understanding of the cross-currents and tensions that sprang from the rapid pace of economic integration in the 1990s – which I contend are essential to understanding firms' coalitional strategies.

A second objective of this present chapter is to illustrate and underscore the movement-counter movement pattern that plays out in the industry. I delineate the narrative into four overlapping phases that illuminate the gradual shift from a private regulatory sphere characterized by individual firm-level approaches, to one influenced by social movements and MSIs, to one that is increasingly influenced by BLIs. The analysis traces the events leading to the initial movement and the subsequent counter movement formation. For each of the identified time

periods I describe salient socio-political events, the corporate responses to these events and the resulting private regulatory initiatives.

The subsequent chapters then probe deeper into the case to look at the specific units of analysis. Chapter 5 examines the firms that founded the MSIs and BLIs and why they did so. Chapter 6 studies the coalitions themselves and the strategies they employed.

Figure VI - Evolution of private regulation in context



PHASE 1 (1990–1997): THE ANTI-SWEATSHOP MOVEMENT TAKES SHAPE

Trade liberalization and economic integration

Western governments have been actively engaged in trade liberalization since the post WWII period. The General Agreement on Tariffs and Trade (GATT), signed in 1947 by 23 countries, was the first of numerous inter-country agreements intended to lower taxes (tariffs) on imported goods as a means of stimulating world trade. By 1995, GATT had grown to 123 member countries and completed eight negotiation rounds which had progressively lowered the average worldwide tariffs on manufactured goods from a high of 40% to approximately 4% (Barton et al., 2006). This reduction in tariffs has been a major reason for the reduction of trade costs, increases in international trade and the integration of national economies. Trade agreements have taken two forms: 1) multilateral agreements, such as GATT and WTO, in which numerous countries engage in the negotiation of an agreement to be adopted by all of the negotiating parties; 2) Free trade agreements (FTA), in which neighboring countries (referred to as regional FTAs) or two countries (referred to as bilateral FTAs) agree on the elimination of most or all tariffs.

The 1990s were a groundbreaking period for both types of trade agreements. On November 17, 1993, Canada, the United States and Mexico signed the North American Free Trade Agreement (NAFTA), creating the world's largest free trade region. The agreement phased out all tariffs on merchandise trade and reduced restrictions on trade in services and foreign investment (Barton et al., 2006). Shortly after NAFTA was implemented, the EU also begins negotiating a free-trade agreement with Mexico which is signed a few years later (Dür, 2007). The Uruguay round of GATT negotiations are finalized and signed in 1994, constituting the largest and most comprehensive trade agreement ever signed, covering goods and services, agriculture, intellectual property rights (IPS) and textiles (WTO, 1994a). The following year, GATT members agree to create the World Trade Organization (WTO) in order to expand the scope of negotiations and further global economic integration.

These agreements had an important effect on apparel industry global trade. The Uruguay round effectively abolished all quotas for textile and clothing products import (WTO, 1994b). The apparel industry was the key industry in the NAFTA negotiations -- the Mexican government's Border Industrialization Program, launched in 1965 and commonly referred to as

the *Maquiladora Program*, was an Export Processing Zone (EPZ) that permitted foreign multinationals to manufacture for export in Mexico (Hansen, 2003; U.S. International Trade Commission, 1994). The growth rate for Maquiladoras, who mostly performed garment assembly in the apparel sector, was 45% in the years leading up to NAFTA but surged to approximately 90% in the five years after NAFTA was signed, largely because of cheap labor and the low peso (Ruelas-Gossi, 2010).

Large apparel firms were heavily in favor of trade deals that would make it easier to shift production of their goods overseas. The American Apparel and Manufacturers Association (AAMA), the trade association representing apparel manufacturers, lobbied strongly in favor of the NAFTA trade agreement (WWD, 1993). This was largely due to the fact that firm strategies in the apparel industry revolved around lowering their cost of production by using overseas factories that could produce for a fraction of what it cost to produce in the U.S. (Taplin, 1994). Moving production to developing countries was a trend that was already apparent in the mid-1980s and was forecast to grow to approximately half of all apparel production being moved overseas, as a Wall Street Journal article points out with prescient precision in 1985, a full decade earlier:

Industry analysts believe that by the mid-1990s, at least half the clothes sold in the U.S will be foreign-made; union officials contend that the halfway mark already has been reached... Apparel labor costs are the chief culprit, industry officials say. For example, compared with an average of \$6.50 an hour in the U.S., the total of wages and fringe benefits ranges from 30 cents an hour in China and 50 cents in the Philippines to \$1.25 in South Korea, \$1.75 in Taiwan and \$2.05 in Hong Kong. These lower costs force manufacturers to turn abroad for certain merchandise that requires time-consuming hand work, such as knit shirts and other sportswear, says Carl H. Priestland, chief economist with the Washington-based American Apparel Manufacturers Association. (Gilman, 1985)

These unprecedented trade deals that quickened the offshoring of production led to widespread job losses, controversy and protest in Europe and North America. The substantial lowering of trade barriers opens the floodgates to the outsourcing of manufacturing production that had slowly been taking place in Europe and the U.S. The effects are felt particularly hard in the U.S. From 1996 to 2011, the U.S. apparel manufacturing industry hemorrhages jobs at an unprecedented rate – the U.S. Bureau of Labor Statistics records an average of 323 mass layoff events³ per year, with a peak of 706 mass layoffs in 1996, representing 7.1 percent of all layoffs in nonfarm enterprises (U.S. Bureau of Labor Statistics, 2012). During this timeperiod, trade

³ A mass layoff event is registered when fifty or more unemployment insurance claims are filed against a particular company over the course of a 5-week period (U.S. Bureau of Labor Statistics, 2012).

unions in both the U.S. and Europe come under increasing pressure from their membership bases to address the exodus of jobs in the apparel industry. Unions pressure governments to include labor and environmental standards, including provisions for minimum wages and working conditions, into future trade agreements. As the American trade union federation AFL-CIO and the garments union UNITE mobilize, lobbying the government to address the wrongdoings in overseas factories, the job loss issue becomes closely tied to the growing movement concerned with sweatshop labor conditions in overseas factories (J. L. Esbenshade, 2004).

The anti-sweatshop movement takes shape in the U.S. and Europe

The anti-sweatshop movement's success in the mid to late 1990s was the culmination of investigations and campaigns that began in the late 1980s. The first reports of serious labor violations by overseas suppliers of prominent western multinationals emerge in the late 1980s. In 1988, investigative reports of labor unrest in Indonesian factories producing Nike products is published in Indonesian trade union newspapers (Ballinger, no date). The following year, the U.S. Agency for International Development (USAID) provides a grant to the Asian American Free Labor Institute-Indonesia (AAFLI) to investigate human rights issues in overseas factories. A survey of hundreds of factory employees by Jeff Ballinger, a lawyer and labor activist, uncovers systematic abuses and violations including payment below minimum wage levels and systemic abuse of workers. The Korean-owned plants manufacturing Nike shoes are highlighted as the worst offenders (Ballinger, 1995; Harsono, 1996). Based on this report, a formal labor rights complaint against Indonesia is submitted to the office of the U.S. Trade Representative by International Labor Rights Research and Education Fund and Human Rights Watch (Ballinger, no date).

In Europe, initial campaigns against sweatshop labor in the Philippines also take place in 1988. Members from a variety of activist groups with different agendas (including feminism, third world solidarity, and consumer advocacy) protest in front of C&A and William Baird retail stores in the United Kingdom (UK) and the Netherlands (Sluiter, 2009). SOMO, a Dutch advocacy NGO researching the negative effects of MNE operations, publishes a book-length report, *C&A: The Quiet Giant* (Smit & Jongejans, 1989) in which they provide evidence of sweatshop labor in Dutch and British retailers' national and international supply chains. These early protests and investigative reports led to the formation of the Clean Clothes Campaign

(CCC), a coalition of trade unions and NGOs concerned with working conditions in overseas factories. Initially operating from the Netherlands and U.K., it quickly expands to a network of 200 organizations operating across Europe (CCC, 2004; Sluiter, 2009).

Soon thereafter, exposés in prominent media outlets including *The Economist*, *Harper's*, and *Thames TV* (UK) provide detailed accounts of sweatshop conditions and attract significant public attention (Ballinger, 1992). In 1992, a Dateline NBC investigation uncovers Wal-Mart suppliers' use of child labor. The incident and Wal-Mart CEO's reaction is later described as follows in the *New York Times*:

The problems arose publicly in 1992 when, despite its pledge to buy most of its products from American manufacturers...a report on "Dateline NBC" depicted youngsters in Bangladesh sewing Wal-Mart labels into clothing, followed by footage of a reporter and camera crew being shoved out of an interview with Wal-Mart's chief executive, David D. Glass. And before the "Dateline NBC" report, Chinese human-rights activists had accused Wal-Mart of selling products made in Chinese prisons (Strom, 1996).

Ongoing media and activist attention of the use of sweatshop labor in overseas production leads to an initial wave of protests in the early 1990s, building momentum and escalating into boycott campaigns and the formation of various coalitions. In the U.S., a number of activist groups including Sweatshop Watch, CorpWatch, Maquila Solidarity Network (MSN), Press for Change, Vietnam Labor Watch, and Global Exchange, begin campaigning on the issue of sweatshops. One of these activist NGOs, the National Labor Committee in Support of Human and Worker Rights (NLC), an organization partly funded by labor unions (Featherstone & USAS, 2002), proves to be highly adept at the use of naming and shaming tactics to capture the media spotlight.

Charles Kernaghan, the NLC's Executive Director provides testimony regarding sweatshop conditions before a congressional committee on April 29, 1996. His statement, particularly the fact that Kathie Lee Gifford's line of clothing sold at Wal-Mart is produced by Kellwood, an American company, "at Global Fashions, a Honduran factory that made her sportswear, where 15-year-old girls earn 31 cents an hour and work 75-hour weeks" (U.S. Congress, 1996b), receives widespread media attention and leads to highly public campaign against Wal-Mart (Borg, 1996; Greenhouse, 1996; Holmstrom, 1996; Strom, 1996).

A *New York Times* article focuses on the effectiveness of Kernaghan's brand-targeting strategy for attacking the likes of Wal-Mart:

His strategy is to attack the wholesome image such targets have spent years and millions of dollars cultivating. "Their image is everything," he said. "They live or die by their image. That gives you a certain power over them... These companies are sitting ducks," Mr. Kernaghan said. "They have no leg to stand on. That's why it's possible for a tiny group like us to take on a giant like Wal-Mart". (Greenhouse, 1996)

In that same article, Kernaghan refers to his testimony before congress, titled *The Power of Consumer Choice: Can It Change Corporate Behavior on Labor and the Environment?*, attributing his ability to take on Wal-Mart to consumers' concerns:

Not to sound Pollyannish, but I believe there is a basic decency in the American people that these companies don't understand. We have to try to tap this decency. When we do that, we get a tremendous response. (Greenhouse, 1996)

Kernaghan's response to the question posed in the title of his testimony is an emphatic "yes" – consumer choice can serve as the lever by which the behavior of the world's largest corporations, such as Wal-Mart, is changed. The tactics used by Kernaghan are held up as an example of a successfully using an MNE's brand and image against it, and part of the social movement advocates' "toolboxes" and case studies (Conroy, 2007; Klein, 1999; Manheim, 2011; Wallack, 1999; Warsh, 2000). Discussing the use of corporate brands for activist campaigns in her book titled *No Logo: Taking Aim at the Brand Bullies*, Naomi Klein writes that "Charles Kernaghan and his anti-sweatshop battle have been shaking up the issue of labor abuses in the apparel industry like nothing since the Triangle Shirtwaist Fire" (Klein, 1999, p. 351).

U.S. Government takes action

In the mid-1990s as civil society begins to ratchet up the pressure on corporations to address the sweatshop situation, various departments with the U.S. government begin actively exploring ways to address the problem (Rosen, 2002). The issue of sweatshop child labor becomes particularly salient in policy circles and a major policy focus of the Clinton administration (Clark, 1996 ; The White House, 2000; U.S. Department of Labor, 1996). Considerable scrutiny by the U.S. Department of Labor (DOL) and Department of State (DOS) leads to a series of successive measures by various branches of government. On Capitol Hill, legislation intended to hold retailers and manufacturers accountable for the conditions at contractor facilities, the *Stop Sweatshops Act*, is introduced in mid-1996 (U.S. Congress, 1996a).

A series of non-state regulatory mechanisms, largely based on the *Sullivan Principles* successfully used by the anti-apartheid movement, are also attempted. The DOL creates a *No Sweat* list of apparel companies that agree not to use suppliers operating sweatshops (Green, 1997). In 1995, President Clinton releases the *Model Business Principles*, a set of guidelines intended to get companies to adopt common codes of conduct, but the initiative makes little headway, gaining few corporate adherents (Green, 1997; Sajhau, 1997; Varley, 1998). The following year, frustrated by the inability to introduce any labor standards into trade agreements (Bartley, 2007; Maskus, 1997), Labor Secretary Reich and President Clinton announce the creation of the Apparel Industry Partnership (AIP), a cross-sector initiative to discuss the creation of a common code of conduct for the apparel industry:

President Clinton brings a diverse group of industry, labor, and human rights leaders to the White House to discuss industry conditions. The Apparel Industry Partnership is formed, and challenged by the President to take steps to assure that company products are made in compliance with acceptable labor standards, and to inform consumers that the products they buy are not made under exploitative conditions. The group agrees to report back in six months. (U.S. Department of Labor, 1997)

The two most targeted brands, Nike and Wal-Mart's Kathie Lee Gifford, agree to join the AIP initiative (WWD, 1996). The majority of NGOs and the media characterize the event as a major breakthrough in the fight to stop sweatshop production. Two important points are emphasized – the first concerns the fact that the AIP will provide activists with a platform from which to exert greater pressure:

Charles Kernaghan, executive director of the National Labor Committee and a leading figure in the worker rights movement, called Monday's announcement a "stunning breakthrough." He said it will create a benchmark that consumers can use to seek changes from companies that claim they are already meeting global labor standards, such as the Walt Disney Co. "What the companies are saying is, 'We can't be trusted,'" said Mr. Kernaghan. "We now have a legitimate opening to pressure them." (Shorrock, 1997)

The second point is that it will enable consumers to make an informed choice regarding the origins of the apparel they are purchasing:

The goal will be "to provide reliable information to consumers as to whether the products they purchase are made under decent and humane working conditions," said A. Douglas Melamed, principal deputy assistant attorney general of the antitrust division. The partnership will formulate labor rights standards to inform consumers that certain athletic shoes and garments were not produced under sweatshop conditions. The 18 parties to the agreement will discuss how to develop the standards, possible auditing mechanisms and methods to inform consumers that products meet the standards. (JOC, 1996)

Firm-level corporate responses: Corporate codes of conduct

A few years prior to these government initiatives, in the early 1990s, some companies had attempted to deal with the issue and stem the growing negative publicity surrounding their suppliers' human rights violations by issuing manufacturing guidelines for their contractors. In 1992, following a series of scandals involving its manufacturers in China and Saipan, Levi Strauss & Co. becomes the first company in the apparel industry to address the sweatshop issue by issuing purchasing and production guidelines (den Hond et al., 2010; J. L. Esbenshade, 2004). Soon after, a number of other companies, including Nike, Disney, Wal-Mart, the Gap, Toys R' Us, follow their lead, implementing firm-level codes.

The content of the codes of conduct is found to vary considerably from one firm to the next, making them difficult to compare. Moreover, with no outside visibility of supply chain conditions, it is difficult to assess that compliance with the codes at the supplier level is verified via self-monitoring (Sajhau, 1997; Varley, 1998). These social audits, as they come to be referred to, are generally performed by large auditing firms following a logic and protocol borrowed from their financial auditing practices. Pricewaterhousecoopers (PwC) invests considerable resources into building a social audit practice, emerging as the market leader for such services in the mid to late 1990s (Economist, 1999b; O'Rourke, 2000).

However, company level codes are criticized by activists and trade unions who claim that such initiatives lack credibility and are little more than public relations exercises. Main criticisms include their one-sided development, their disregard for ILO core labor conventions, and their poor auditing programs (Bartley, 2003; Moberg, 1999). The codes are argued to lack credibility because they are developed by the companies themselves and then imposed on the suppliers, allowing little or no room for dialogue or negotiation. They fail to mention or recognize labor rights regarding freedom of association and the formation of labor unions. Moreover, as compliance auditing is performed by internal company auditors or by the accounting firms that are also performing their financial audits, a conflict of interest and a disincentive to conducting in-depth evaluations is said to be biasing results. Lastly, the audit results are not publically disclosed, making the effort a closed door exercise that is impossible for outside parties to counter-verify (Seidman, 2007). Reflecting on the debates that occurred during this period, the Secretary General of the International Textile, Garment, Leather Workers Federation (ITGLWF) at the time, Neil Kearney, states:

Self-assessment, no matter how well applied, will not deliver credibility... verification will confer legitimacy and credibility. In reality companies cannot police and judge themselves when they themselves are the potential offenders. (Kearney, 1999b, p. 214)

In an effort to address the proliferation and incompatibility of corporate codes of conduct, the Council on Economic Priorities (CEP) a CSR research NGO known for its rating system of corporations' social performance titled *Shopping for a Better World*⁴ (Hollister et al., 1994), establishes Social Accountability International (SAI) in 1995, the first MSI. The SAI Advisory Board, composed of a group of companies some NGOs, and accounting firms KPMG-Peat Marwick and SGS-ICS, creates a common standard for ethical workplaces intended to provide the consistency required for verifiable, comparable social audits (Businessweek, 1997; SAI, 2013)[interview with SAI representative, 2014]. In 1997, SAI releases SA8000, a CSR standard for auditing factories, modeled on the ISO9000, ISO14000 and Forest Stewardship Council (FSC) standards systems. That same year it also develops procedures for accrediting third-party certification organizations (SAI, 2013). Shortly thereafter, a few companies, including Avon and Toys R' Us, begin using the standard and CEP/SAI begins promoting the initiative to companies in both the US and Europe (Businessweek, 1997).

A presentation by a CEP staff member introducing SA8000 in January 1998 describes it as a solution to the problem of proliferation and inconsistency of codes:

While the rise of the corporate code of conduct is a laudable trend, codes are becoming increasingly fragmented. Hundreds of codes of conduct call upon suppliers to manufacture products according to different workplace specifications -- a wasteful and inefficient practice. The effort to combat serious violations of workers' rights is thus hampered both by a lack of clear definitions of terms, and by a lack of consensus on the basic benchmarks in codes themselves. An even greater challenge is ensuring that codes are monitored effectively... SA8000 provides a framework for the independent verification of the ethical production of all goods, made in companies of any size, anywhere in the world. It will provide a major opportunity for companies to demonstrate their commitment to best practice in the ethical manufacture and supply of the goods they sell (SAI, 1998)

In that same presentation, emphasis is placed on describing the SA8000 approach as a "major breakthrough", largely due to its multi-stakeholder governance design that renders it independent from government and corporate influence:

SA8000 represents a major breakthrough: it is the first auditable social standard, and creates a process that is truly independent. (It is not a government project, nor is it dominated by any single interest group or constituency). (SAI, 1998)

⁴ CEP's rating system later becomes the basis for the social indicators such as Kinder, Lydenberg, & Domini (KLD), used by social investment analysts and academic researchers (Entine, 2003.)

PHASE 2 (1997–1999): MSIS RESULTING FROM THE ANTI-SWEATSHOP MOVEMENT

Anti-sweatshop movement delegitimizes firm-level reporting

The anti-sweatshop movement gains considerable momentum in the late 1990s, establishing strong links between labor, human rights and student groups. Student advocacy groups become the loudest voices in the anti-sweatshop movement, gaining widespread media attention and catalyzing the broader anti-sweatshop movement (Gourevitch, 2001; Greenhouse, 1998a). They run a highly successful campaign pressuring university administrations across the U.S. to adopt measures to restrict sponsorship of their sports teams to apparel and sportswear brands who provide evidence of being “sweat free” (Featherstone & USAS, 2002; Greenhouse, 1999b).

Together with labor unions and human rights groups, these student groups continue to criticize corporations and universities that rely on auditing firms to inspect their factories. Auditing firms such as KPMG and Pricewaterhousecoopers (PwC) had created new social auditing divisions (Corporate Money, 1998). In 1999, bowing to pressure from the student movement, a group of U.S. universities composed of Harvard, Notre Dame, Ohio State, The University of California and the University of Michigan, agree to fund the Independent University Initiative (IUI), a research project to investigate the effectiveness of factory audits performed by auditing firms. The project entails an independent review of factory monitoring practices by PwC, the world’s largest social auditing firm at the time. Dara O’Rourke, a professor of environmental and labor policy at the Massachusetts Institute of Technology (MIT) and Business for Social Responsibility (BSR), a nonprofit consulting group based in San Francisco, accompany PwC auditors, reviewing conditions at more than a dozen factories plants that make apparel for the universities. The subsequent report, released in September 2000 shows the deficiencies in the use of specialized auditing firms and highlights that inability of such audits to detect labor abuses (Greenhouse, 2000; O’Rourke, 2002). The findings provide NGOs with the ability to argue that only independent, multi-stakeholder initiatives would provide the most reliable monitoring and verification (Ascoly & Zeldenrust, 2002; Justice, 2002; O’Rourke, 2002; Tepper Marlin & Tepper Marlin, 2003). Large accounting firms such as KPMG, Ernst and

Young and PricewaterhouseCoopers that developed social auditing practices close these practices or spin off their divisions (J. L. Esbenshade, 2004; O'Rourke, 2002).

In the Spring of 2000, the movement across American university campuses coalesces into a national NGO called the United Students Against Sweatshops (USAS) (Featherstone & USAS, 2002). Together with university administrators and the labor unions that dropped out of the AIP (AFL-CIO and UNITE), the USAS creates the Worker Rights Consortium (WRC), a monitoring and advocacy organization (Greenhouse, 1999a; WRC, 2007a). Rather than monitoring compliance and certifying factories or supply chains like the SAI and FLA were doing, the WRC proposed a different model based on investigating grievances and bringing abuses to public attention (WRC, 2007b). Forty-four universities join the WRC in 2000, its first year of operations and the numbers quickly swell.

Labor and human rights agendas clash in U.S.

On April 14, 1997, the AIP members that the White House had convened six months earlier present a preliminary version of the Apparel Industry Partnership's Agreement. Work on a final version of the agreement results in divergent positions amongst taskforce members and what appears to be an inability to move forward at various times during the process. As outlined in an industry trade publication, the main line of differences are between labor and human rights NGOs on the topic of living wages:

Jeff Ballinger, the founder of Press for Change, a labor rights group that has criticized conditions at factories in Asia making shoes for Nike Inc., said he was disappointed that the task force did not make a specific commitment on wages or working hours. "I'd say the (human right groups) fought the wrong fight," Mr. Ballinger said. "They should have hunkered down on this living wage issue." (Shorrock, 1997)

The final version of the agreement, presented on November 2, 1998, comprised a Workplace Code of Conduct, a set of Principles of Monitoring, and an agreement to establish the Fair Labor Association (FLA). This second version is agreed to only by a portion of the taskforce members (representatives of the largest apparel brands including Nike, Phillips Van Heusen, Reebok, Liz Clairborne, Business for Social Responsibility, the International Labor Rights Fund, the Lawyers Committee for Human Rights, the National Consumers League, and the Robert F. Kennedy Memorial Center for Human Rights). Three other taskforce members - the Union of Needletrades, Industrial and Textile Employees (UNITE) and the Retail, Wholesale, and

Department Store Union (RWDSU) of the AFL-CIO as well as the Interfaith Center on Corporate Responsibility (ICCR) rejected the agreement and dropped out of the AIP largely on the grounds that it did not contain a requirement to pay a living wage (Bissell, 1998; Connor, 1997; Golodner & Karp, 1998; Greenhouse, 1998b).

Ethical trade and labor rights agendas gain ground in Europe

In the late 1990s the anti-sweatshop movement also makes major strides in the UK and The Netherlands. The specific emphasis is however considerably different from that of the U.S. In the UK, the movement is strongly influenced by the fair trade and trade justice movements, social movements that believe trade can alleviate poverty if it is based on providing growers in the developing world with a fair price for the commodities they supply (Blowfield, 1999). This movement is particularly strong in the UK in the 1990s, as a *Financial Times* article from 1998 points out:

[T]he UK is one of the most socially aware markets in Europe. A survey by the European Free Trade Association found that fairly-traded products worth more than ECU 30m are imported into the UK every year. Surprisingly, almost 70% of those surveyed in the UK said they would be willing to pay a higher price for products if they could be assured that farmers and workers in developing countries received a fair return. (FT, 1998a)

The UK anti-sweatshop movement is led by many of the same anti-poverty NGOs that had also focused on these issues of fair trade and trade justice, resulting in an intertwining of the fair trade and anti-sweatshop campaigns and agendas. These included Oxfam UK and ActionAid UK, international NGOs with a strong UK presence, as well as Christian Aid, a UK-based charity. Drawing on the success of the Fair Trade campaigns, these groups promoted the introduction of ethics into global supply chains and correcting inequalities via market mechanisms (Pallister, 1999; Reuters, 1997). Their success was in large part due to their strong collaborative ties to the British government and ability to keep the issue of fair wages and ethical trade in the media spotlight (Carruthers, 1997; Cowe, 1999b; FT, 1999).

In The Netherlands, the anti-sweatshop movement is strongly influenced by the country's strong tradition of social dialogue and labor relations (Dutch Economic & Social Committee (SER), 2000a, 2000b). Activist campaigns are led and coordinated by the CCC which has strong ties to Dutch labor unions. Together they form the *Dutch CSR coalition*. They engage in dialogue and negotiations over a number of years and in February 1998, agree to the *Code of Labour*

Practices for the Apparel Industry Including Sportswear, a code of conduct based on ILO conventions and model codes developed by the CCC and the International Confederation of Free Trade Unions (ICFTU), the international umbrella organization of trade unions of which the Dutch FNV trade union is a member (CCC, 1998).

Corporate coalitional responses: Some firms co-found MSIs

Following repeated attempts at disclaiming responsibility for activities taking place at its suppliers (McAllister, 1996), Nike relents to intense activist pressure and media scrutiny, publicly acknowledging responsibility for many of the issues facing its suppliers and agreeing to take responsibility for labor violations in its supply chain (referred to by activists as the “Nike moment”) (den Hond & de Bakker, 2007; Epstein-Reeves, 2010; Richard M. Locke et al., 2007; Zadek, 2004). In a speech at the National Press Club in Washington, D.C. (C-SPAN, 1998) Knight acknowledges that the company he founded has had “‘ become synonymous with slave wages, forced overtime and arbitrary abuse’ and that ‘the American consumer does not want to buy products made in abusive conditions’” (Cushman Jr., 1998). In his speech, the Nike CEO emphasizes the child labor issue: “Nike has zero tolerance for underage labor.” (CNN, 1998)

Similarly, in the UK and in The Netherlands, a number of high profile companies that had been targeted by activists and pressured by governments concede that they need to expend greater efforts to address the sweatshop issue. C&A, one of the large retailers initially targeted by activist groups in both the UK and The Netherlands begins discussions with NGOs such as Oxfam and Christian Aid and other large retailers, including Littlewoods, Asda and J.Sainsbury (Carruthers, 1997; Rosenberg, 1999). In the Netherlands, trade associations (the garment retailer associations MITEK and FGHS and the garment supplier association MODINT) come to an agreement with trade unions and NGOs on a national code of conduct for the garment industry (Sluiter, 2009).

The result of this unswerving groundswell of activism, government prodding and regulatory threats pressuring corporations to deal with their supply chain issues eventually leads to the development of a new form of regulation (Utting, 2002a) modeled upon successful case of private code adoption to deal with the apartheid regime in South Africa (J. L. Esbenshade, 2004). In both the U.S. and Europe several multi-stakeholder initiatives (MSIs) are formed after SAI,

for the purposes of establishing codes of conduct and certifying auditors to monitor and report on conditions in supplier factories (see Table 3 below).

Such collaborations involving NGOs, firms, and in some cases, trade unions, focus on raising consumer awareness of the issues in order to increase demand for more ethical products and provide the information required for them to make such choices (Conroy, 2007; Fung et al., 2001). The standards and codes of conduct developed by such organizations are all based upon intergovernmental conventions regarding labor and human rights. The conventions most commonly referenced include the the ILO Declaration on Fundamental Principles and Rights at Work and Article 23 of the Universal Declaration on Human Rights.

Table 3 - MSI initiatives

Initiative	Est.	Founder(s)	Governance	Operational scope	Inclusion of Int'l Norms	Mission
SAI (Social Accountability International), New York	1995	Council on Economic Priorities (CEP)	U.S. trade unions, brands and NGOs	3,000 factories, across 65 countries and 66 industrial sectors	ILO conventions	Advancing the human rights of workers around the world; improving workplaces and communities
ETI (Ethical Trading Initiative), London	1998	UK Secretary of State for Int'l Dev't, companies and NGOs	UK trade unions, brands, retailers, and NGOs	70 corporate members	ILO conventions	Improve the working lives of poor and vulnerable people across the globe who make or grow consumer goods
FWF (Fair Wear Foundation), Amsterdam	1999	Brands, trade unions and NGOs	Dutch trade unions, NGOs and business associations	117 brands	ILO and UN conventions	Dedicated to improving labour conditions in the garment industry
FLA (Fair Labor Association), Washington	1999	U.S. Clinton Admin., brands and NGOs	Universities, civil society organizations and brands	39 companies; 20 suppliers	ILO Conventions	Create lasting solutions to abusive labor practices

PHASE 3 (1999-2004): ESCALATING THREATS TO GLOBAL TRADE AND THE BLI COUNTERMOVEMENT

Anti-globalization protests

In final months of 1999 and the early part of the 2000s, a wave of anti-globalization protests take place during various free trade summits and global gatherings. The first and largest of these occurs during the World Trade Organization (WTO) meetings in Seattle in December

1999 when a global movement of solidarity groups, labor unions and advocacy NGOs gathered to protest the social and environmental effects of trade liberalization. With over 40,000 protestors from 2,000 NGOs participating in the demonstration, it is dubbed the "Battle of Seattle" (Suzman, 1999) and is widely reported as the biggest demonstration in the U.S. since the Vietnam protests (Economist, 1999a; Hornblower, 1999; Vidal, 1999; Williams, 1999).

The Seattle protests mark a turning point in the growing anti-globalization movement, triggering a series of demonstrations in years following. These include protests during several World Economic Forum (WEF) meetings in Davos, Switzerland, the World Bank and International Monetary Fund (IMF) meetings in Washington DC (April 2000), as well as during the summits on the Free Trade Area of the Americas (FTAA), a proposed extension to NAFTA, in Quebec City (April 2001) and Miami (November 2003). Many of these protests turn violent, involving clashes between protestors and riot police, and forcing host countries to adopt extensive security measures. The fierce protests and strong contestation at all of these events, calling into question free trade policies, are seen by many commentators and the media as demonstrating a new-found strength and determination on the part of global civil society to reverse or limit economic liberalization (Smith, 2008; Tarrow, 2005). Proponents of free trade become noticeably concerned that the backlash against multinational corporations and economic integration is pressuring western governments to address the global justice movement's concerns by becoming more protectionist.

The coverage of the protests in leading newspapers such as the *Financial Times*, *Wall Street Journal* and *The Economist* provide a palpable sense of the rising anxiety amongst proponents of free trade immediately following the failed WTO talks in Seattle (Williams, 1999). The *Financial Times* in particular provides detailed coverage of the concerns and the effects. In their extensive coverage of events, three important points stand out. The first concerns international policymakers' growing fears of a wave of nationalist and populist sentiment:

Mike Moore, head of the World Trade Organisation, yesterday proposed that the United Nations work more closely with the WTO to stem a threat to economic globalisation from a "potentially dangerous rise" in isolationist nationalism. Following the failure of the recent Seattle conference, which was disrupted by demonstrations, public confidence must be rebuilt lest negative sentiments give rise to extreme unilateralism, he said at a briefing for top UN officials after meeting Kofi Annan, UN secretary-general. "The setback faced by the WTO has far-reaching consequences which go beyond the multilateral trading system and should be a concern to all international organisations," Mr Moore said. (Littlejohns, 2000)

The second concerns how the Seattle protests have re-invigorated the U.S. trade union movement (Kearney, 1999a). An excerpt of an article published at the time states:

John Sweeney, president of the AFL-CIO, the umbrella group for most US unions, said the Seattle street protests had produced "a stunning breakthrough in the public debate over globalisation"... Thea Lee, AFL-CIO trade co-ordinator, said they were now planning to expand their efforts to create a progressive international alliance which mirrored the forces which took to the streets of Seattle: workers, environmentalists, small and medium sized farmers, church and human rights groups, and students. (Dunne, 1999)

A third point concerns the sympathy expressed by both U.S. and European governments towards the protestors concerns, particularly the need for more stringent labor and environmental standards in global trade:

As the demonstrations mounted, President Bill Clinton expressed sympathy for the views of protesters and said trade agreements should take into consideration labour and environmental concerns. Mr Clinton's comments were echoed by Pascal Lamy, European Union trade commissioner, who said the protests showed the WTO must take account of strongly held public concerns about issues such as the environment and labour standards. (Williams, 1999)

EU-specific trade threats: Proposals for pan-European regulation

In the late nineties, the European Parliament begins debating the need for a code of conduct for European enterprises operating in developing countries. They debate a report titled *EU standards for European Enterprises operating in developing countries: towards a European Code of Conduct*, passing it as a resolution the following year (European Parliament, 1999). In the document, Parliament states that it has taken a more active role in order to ensure that European companies keep up with their U.S. peers:

There is a powerful case to answer that the European Union should take a more active role in standard-setting for the conduct of its enterprises in developing countries. Forty-two of the top 100 MNEs are based in Europe, only 35 in North America. Yet in the United States, 85 per cent of large companies have codes, and NAFTA provides a first mechanism where trade unions and civil society can bring complaints against companies. The world's first voluntary standard for the social impact of business, Social Accountability 8000, was first developed in America (p.14).

It also highlights the proliferation and inconsistency of codes as an issue that needs to be addressed:

Perhaps most of all, there is a groundswell of activity within member states, from the Ethical Trading Initiative in the United Kingdom, to a statutory code of conduct proposed for German companies operating in China to a Belgian thesis to make companies prosecutable for breaches of core labour standards in third countries. European companies, particularly small business, cannot respond to the proliferation of often inconsistent initiatives. An E.U. Code could create a level playing field, reward best practice and drive up standards in underperforming companies. (p.15)

The resolution emphasizes the need for effective monitoring and enforcement and suggests that intergovernmental organizations such as the ILO and OECD be strengthened in order to monitor the implementation of codes:

[The resolution r]ecommends that the European Union seeks to work en bloc to strengthen existing ILO and OECD instruments, in particular in the review now underway in the O.E.C.D., and within the United Nations, to ensure more powerful and effective monitoring and enforcement mechanisms, and strong penalties for non-compliance and that EU efforts notably go into reviving the UN Commission on TNCs for it to be entrusted with concrete tasks in the context of the monitoring and implementation of Codes, along with the ILO's Department for Multinational Enterprises (p.9)

The resolution also emphasizes the need for a multi-stakeholder approach:

[The resolution w]elcomes and encourages voluntary initiatives by business and industry, trade unions and coalitions of NGOs to promote codes of conduct, with effective and independent monitoring and verification, and stakeholder participation in the development, implementation and monitoring of Codes of Conduct. (p.6)

In the early part of the 2000s, following the path laid by the European Parliament, the European Commission considers various measures, including regulation to address labor issues in overseas supply chains (Wells, 2007). In July 2001, it publishes a green paper (an exploratory consultation document intended to increase awareness and stimulate debate and discussion) on new ways of promoting corporate social responsibility. Titled *Promoting a European framework for Corporate Social Responsibility*, it calls for a multi-sector, integrated approach “based on the deepening of partnerships in which all actors have an active role to play” (European Commission, 2001, p. 3). In addition to multi-stakeholder partnerships it also emphasizes the need for more transparent monitoring and reporting mechanisms:

Monitoring, which should involve stakeholders such as public authorities, trade unions and NGOs, is important to secure the credibility of codes of conduct. A balance between internal and external verification schemes could improve their cost-effectiveness, in particular for SMEs. As a result there is a need to ensure greater transparency and improved reporting mechanisms in codes of conduct (European Commission, 2001, p. 14).

In its assessment of the state of social auditing and reporting at the time, the Green Paper, identifies SA8000, developed by SAI as a best practice in dealing with the proliferation of codes of conduct:

In response to the diversity of codes of conduct, SAI (Social Accountability International) has developed a standard for labour conditions and a system for independently verifying factories' compliance. The standard, Social Accountability 8000 (SA8000) (<http://www.cepaa.org/introduction.htm>), and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and add several elements that international human rights experts have identified as being essential to social auditing (European Commission, 2001, p. 17).

The following year the European Parliament attempts to extend the EU Framework for Corporate Social Responsibility by voting in favor of new legislation that requires companies to publicly report their social and environmental performance, establishes legal jurisdiction over European companies' operations and abuses in developing countries and makes corporate board members personally liable for such practices. A report in The Guardian newspaper describes the more forceful stance in favor of regulation as follows:

In June this year, the European parliament agreed a resolution inviting the commission to consider a directive requiring companies to include social and environmental reporting alongside their annual financial reports. The proposal, introduced by Richard Howitt, Labour MEP for East of England, called for this statutory annual report to be independently verified and to include all levels of the company, including its supply chain and business partners. Mr Howitt said at the time: "Although we want to encourage good practice by the best companies, of 2,500 voluntary codes of conduct promoted by business, two-thirds ignore internationally recognised standards, avoid independent verification or disown responsibility down their supply chain." (Armstrong, 2002)

U.S.-specific trade threats: The “War on Drugs” and the “War on Terror”

In the U.S. the “war on drugs”, first declared by President George H. W. Bush in 1989, weighs heavily in discussions of free trade policy throughout the 1990s⁵ and becomes a key issue in the latter part of the decade. The implementation of NAFTA was argued to have facilitated illegal drug entry to the U.S. in part by making maquiladoras (apparel factories) operating in Mexico and other Latin American countries “entry ports” for drug cartels (CITE). The enormous increase in legitimate trade between the U.S. and Mexico results in trade volumes that make it more difficult for U.S. Customs officials to detect narcotics hidden within shipments of legitimately imported goods such as garments (Fernholz, 2014). An uptick on the war on drugs occurs in February 1996 when President Clinton nominates Army General Barry McCaffrey as director (popularly referred to as “drug czar”) of Office of National Drug Control Policy (ONDCP). Greater controls and border inspections on shipping containers entering the U.S., particularly from Mexico, are an important feature of McCaffrey’s National Drug Control Strategy (McCaffrey, 1997).

⁵ Concerns regarding the influx of narcotics across a Mexican-U.S. border were first voiced when NAFTA was being negotiated between President Bush Sr. and President Salinas in 1991. A report on a hearing before congress stated: “Labor issues (including Mexican health and safety standards and potential U.S. displacement), the environment, potential migration of U.S. and foreign businesses, and illegal immigration and drug trafficking are of primary concern in the debate on a NAFTA...Mexico is both a major drug producer and the single most active transit country for cocaine from South America... Any expanded trade between our two nations will result in greater requirements for border inspection” (Committee on Public Works and Transportation, 1991, p. 15).

Two years later, a report by U.S. Customs and Border Protection titled *Drug Trafficking, Commercial Trade and NAFTA on the Southwest Border*, provides evidence suggesting that NAFTA facilitated the entry of drugs into the U.S. The report captures considerable media attention and triggers political debate (Eaton, 1998; Smith & Dunham, 1997). In the House of Representatives in 1998, Sherrod Brown the Democratic Representative from Ohio states:

NAFTA has opened the floodgates... Mexican traffickers are believed to smuggle about 330 tons of cocaine, 14 tons of heroin, and hundreds of tons of marijuana into the United States every year. Sophisticated drug gangs are investing in trucking and shipping companies, rail lines and warehouses to shield their trafficking activities. They use these legitimate business operations to shield those trafficking activities. Mexican smugglers have even been busy hiring consultants to learn how to take advantage of the North American Free Trade Agreement, some former drug agents have said. A former high-level DEA official has proclaimed that for Mexico's drug gangs, 'NAFTA is a deal made in narco-heaven.' Another former high-level DEA official remarked that if you believe NAFTA has not adversely affected the fight against drug traffickers, 'then you must believe in the tooth fairy.'.... Hard-working Americans who want to protect their children from the scourge of drugs have taken a back seat to free trade." (U.S. Congress, 1998b)

As a result, U.S. trade policy becomes heavily influenced by the ongoing debates concerning the smuggling of narcotics across the Mexican border (LaRue, 2000). As the *maquiladora* sector at the time accounted for roughly half of U.S.- Mexico trade, apparel goods came under particularly heavy scrutiny (Ruelas-Gossi, 2010). The issue threatens future trade negotiations (Smith & Dunham, 1997) and the need for heightened security measures to deal with the illegal drug trade becomes a key point of deliberation during discussions on a proposed expansion of the free trade zone to all of the countries in North and South America -- the Free Trade Area of the Americas (FTAA) -- during the summits held in Santiago in April 1998 (Summit of the Americas, 1998) and Quebec City in April 2001 (Summit of the Americas, 2001).

A few months later the terrorist attacks of September 11 are a major disruptive event that makes U.S. National security an over-riding concern, greatly affecting trade policy discussions. Such concerns significantly impact considerations for imported products, broadening the monitoring and verification agenda to include terrorist activity (National Commission on Terrorist Attacks upon the United States, 2004). As a result, the U.S. implements new protocols for movement of cargo, contributing another layer of verification to those already in place. An interviewee describes the impact of the terrorist attacks on cross-border customs and cargo as follows:

We also have another phase - the aftermath of 9/11 the US customs demanded protocol to ensure cargo security. And so there is a whole new set of requirements associated with making sure that

container was always dealt with in a secure way that the expenses around this facility, the verification of who is in and out of the facilities if you don't do these things your cargo could be sitting somewhere in a long beach for months because there is a fear of what is inside that box. [Interview with BLI representative 2014].

Corporate coalitional responses: Some firms co-found BLIs

In both the U.S. and Europe, industry groups respond to the growing, multiple pressures from both civil society and governments by mobilizing to establish their own, business-led initiatives. In the U.S., Worldwide Responsible Accredited Production (WRAP) is established in Washington D.C. by the American Apparel & Footwear Association (AAFA) as a labor and environmental certification program for labor-intensive consumer products manufacturing and processing (WRAP, 2013b). In Europe, the Business for Social Compliance Initiative (BSCI) is established in Brussels by the Foreign Trade Association (FTA), an industry trade group.

Table 4 - BLI initiatives

Initiative	Est.	Founder(s)	Governance	Operational scope	Inclusion of Int'l Norms	Mission
WRAP (Worldwide Responsible Accredited Production, Washington)	2000	American Apparel & Footwear Association (AAFA)	Corporations (brands and retailer), legal scholars, consulting firms	36 national associations and over 150,000 individual companies	12 principles*	Promoting safe, lawful, humane, and ethical manufacturing around the world through certification and education
BSCI (Business Social Compliance Initiative, Brussels);	2002	The Foreign Trade Association (FTA)	Corporations (retailers & brands)	700 retailers, brands and importers	Free and sustainable trade	Improve the political and legal framework for trade in a sustainable way; build an ethical supply chain

* 12 Principles focusing on local law and workplace regulations, generally accepted international workplace standards, and the environment, facility's customs compliance and security standards in line with the Customs - Trade Partnership Against Terrorism (C-TPAT) Foreign Manufacturers Security Criteria of the U.S. Department of Homeland Security for facilities exporting to the US.

Both WRAP and BSCI are set up in order to counter what the founding business associations believe to be problematic responses by both NGOs and governments to the sweatshop issue. In a policy paper the FTA states its reason for creating the BSCI BLI is its concern with 1) possible legislation proposed by the EU and 2) the growing fragmentation of private regulatory initiatives:

The FTA has also put the issue of CSR and social standards on its agenda. On the one hand, this is because of the actions taken by the European Union, in particular the possibility of legislative measures as of mid-2004. A further reason is the wide range of systems, all of which have the same aim, that is to improve the social performance of suppliers in production plants in the developing and newly industrialised countries. There is a need to make it clear that it is in the interests of European trade to act in a socially responsible manner and state regulations in this area – whether imposed through the EU or through national governments – are neither required nor desirable (FTA, 2003)

The AAMA provides similar reasons for creating its WRAP initiative (WWD, 1998). Upon its launch, WRAP is announced in the U.S. apparel trade journals as a competitor to the already established MSI initiatives – the SAI and the FLA:

The AAMA's program... is the latest in a series of anti-sweatshop monitoring programs under way or being planned... In particular, it will be competing for participants with efforts being planned by the White House anti-sweatshop task force, known as the Apparel Industry Partnership, and the New York-based Council on Economic Priorities. (WWD, 1998)

Anti-sweatshop movement attempts to delegitimize BLIs

The anti-sweatshop response to the formation of these initial two BLIs is to attempt to delegitimize the initiatives in much the same way they successfully delegitimized firm-level reporting. NGOs and trade unions immediately go on the offensive, attacking the BLIs' credibility and legitimacy in a coordinated fashion. The fact that they exclude NGOs and trade unions from their governance structure is a key point raised by critics (Egels-Zandén & Wahlqvist, 2007; Gardner, 2006). NGOs accuse BLIs of being dominating by business interests, resulting in “‘weak auditing’ and being less rigorous than other initiatives” (Gardner, 2006). In its assessment of WRAP, the Maquila Solidarity Network (MSN), a prominent labor rights activist NGO based in Canada with close ties to the CCC, states the following:

Terry Collingsworth of the US International Labor Rights Fund calls WRAP ‘an industry-dominated project [set up] to avoid outside, legitimate monitoring. In short, it's a dodge, and is so regarded by everyone except industry.’ Michael Posner of the US Lawyers Committee for Human Rights has described WRAP as a ‘closed door’ system because of its lack of transparency or independence. (MSN, 2002, p. 1)

MSN also becomes a coordinator of various campaigns to pressure companies using WRAP to drop it in favor of MSI standards (Turcotte et al., 2007). In Europe, the pressure on BLIs mounts as CCC publishes an extensive report criticizing BSCI, suggesting it is illegitimate because it is merely protecting business interests and adding to the growing problem of regulatory proliferation which only create confusion and undermine all forms of private regulation:

One must also ask the question why European retailers decided to set up a new initiative. For whatever reason, BSCI-member corporations clearly feel they are not ready to join an MSI preferring instead to establish an institution that is dominated by business interests. The BSCI just adds to the plethora of existing initiatives. The danger is that it will increase public and consumer confusion and undermine the credibility of non-governmental programs to improve working conditions. Furthermore, the BSCI is not accountable to stakeholders outside the acting entity. It does not involve key stakeholders in decision-making positions; nor does it provide information on factory locations or social audit results. Therefore, the BSCI faces an accountability problem towards the wider public (stakeholders). (Merk & Zeldenrust, 2005, p. 15).

Despite these attacks on their credibility, both the WRAP and BSCI BLIs attract considerable corporate support and greatly increase the number of audits they perform. The anti-sweatshop movement is effectively unable to repeat its success in de-legitimizing firm-level reporting. Instead, WRAP grows significantly in size, eventually claiming to be the largest initiative of its kind, supported by 36 national associations and over 150,000 individual companies (WRAP, 2013b)[Interview with WRAP representative, 2012]. BSCI too, grows from a dozen members to hundreds and then thousands of members, eventually establishing itself as the largest such initiative in Europe (BSCI, 2013b; Egels-Zandén & Wahlqvist, 2007)[Interview with BLI representative, 2012]. A collaborative, independent study by United Nations Industrial Development Organization (UNIDO), the Norwegian Agency for Development Cooperation (Norad), and the Dutch Centre for the Promotion of Imports from developing countries (CBI), lists WRAP and BSCI as some of the most cited standards in the industry (van Huijstee et al., 2010).

PHASE 4 (2004-2012): DEALING WITH PRIVATE REGULATORY PROLIFERATION

Audit fatigue sets in

The diversity of MSI approaches led to a growing number of criticisms that revolved around duplication of efforts and ineffectiveness. Intergovernmental organizations (IGOs) begin to voice concerns over the growing proliferation of private initiatives and the duplication of regulatory efforts (Utting, 2002a, 2002b). The World Bank, for example, calls for more collaborative, systemic, and less ad-hoc, fragmented approach, that takes into account local and industry specifics (2003/2004). It explicitly proposes industry-specific initiatives as a way to deal with the inefficiencies and confusion generated by numerous supply chain buyer codes. Soon afterward, the UN Global Compact, global NGOs and CSR think-tanks begin to highlight the

need for integration and scaling up (SustainAbility & The Global Compact, 2004; Utting, 2005). The main concern in the apparel industry is the inefficient use of resources resulting from audit duplication (multiple audits of some factories and no audits of other factories resulting from the fact that audits cannot be shared), leading to lack of regulatory effectiveness.

[S]uppliers complain of "audit fatigue" from the need for factories to provide differing sets of data for a stream of different people. The inspectors come from retailers and brands, from independent assessors such as Verite, a non-profit auditing group, and from auditing initiatives run by groups including Social Accounting International and the US-based Fair Labor Association. (Birchall, 2007)

A large-scale review of the ETI MSI by an independent consultant emphasized the need to deal with audit duplication in their recommendations:

ETI should continue to support broader efforts to harmonise codes and code implementation through initiatives such as JO-IN.... Work together to develop a harmonised code of labour practice which can be applied by all companies to all suppliers. (Barrientos & Smith, 2007b)

Concerns grow over the negative effects resulting from the proliferation of codes of conduct and standards. The view that the resulting fragmentation and complexity in the regulatory system is impeding scale, which in turn is limiting effectiveness, becomes a prominent point in policy circles. The problem becomes commonly referred to as “audit fatigue” in the apparel industry, and it becomes the main source of criticism of MSIs, frequently referred to as the reason why the entire private regulatory compliance model is ineffective in dealing with labor issues in the global apparel industry supply chain [Interview with consultant, 2011].

MSI responses to audit fatigue problem

Faced with growing pressures to demonstrate impact on a broad scale and deal with their fragmented approach to auditing, MSIs attempt to unify and integrate their disparate systems (JO-IN, 2006; Just-Style, 2007b). Such concerns are openly acknowledged by the CCC:

It is commonly accepted that there are in fact too many MSIs and this multiplicity needs to be addressed. Actions to this effect are underway... (Merk & Zeldenrust, 2005).

The effort came in the form of a project-based initiative, the Joint Initiative on Corporate Accountability and Workers' Rights (“JO-IN” for short). It included all the major MSIs - SAI, FLA, ETI, FWF - as well as the CCC and the WRC, the two most prominent campaigning groups dealing with workers' rights in Europe and the U.S. The effort was clearly acknowledged

as an attempt to deal with the growing scrutiny faced by MSIs by decreasing duplication and increasing effectiveness:

JO-IN, unites six key organizations – CCC, ETI, FWF, SAI, FLA and WRC – in a single program of collaborative work. Each of these organisations believes that codes of conduct can only make an effective and credible contribution if their implementation involves a broad range of stakeholders, including trade unions, governments, employers' organisations and civil society (JOIN, website). Its collaborative program aims to share the wide range of experiences and 'best practices' with monitoring and verification models between these organisations, as well as to start a dialogue on how closer cooperation between these organisations can best be achieved (Merk & Zeldenrust, 2005)

The JO-IN initiative was structured according to the same principles espoused by the MSIs who composed their membership. It demonstrated a commitment to both democratic principles and the development of practical, innovative solutions based on strong local engagement. The initiative was governed by a steering committee (SC), composed of representatives from all the participating organizations who engaged in regular conference calls and face-to-face meetings, and its objective was to develop a harmonized code and audit process and implement it as a pilot project in a number of Turkish factories.

Unfortunately, the JO-IN initiative ends two years later due to conflict over the desired level of stringency and best practices (Thorpe, 2008), described by some as a “hopeless waste of time” [Interview, MSI representative, 2013]. Following the end of the project in 2007, no further collaboration took place. The project resulted in some progress, including increased communication amongst some initiatives, such as an alliance between FWF and FLA to share audit data [Interview with FWF representative, 2012]. For the most part however, the various MSIs continue operating independently as JO-IN did not meet its main objective of harmonizing the existing codes of conduct as a means of addressing the audit fatigue issue.

BLI responses to the audit fatigue problem

Responding to the audit fatigue issue, a number of BLI “audit aggregators” are created by business groups interested in collaborating on sharing audit information. The first of these, the Fair Factories Clearinghouse (FFC) Sharing Platform is launched in New York in 2004, by Reebok, the U.S. National Retail Federation, the Retail Council of Canada, and World Monitors Inc., a consultancy. Their objective is clearly stated as an effort to address the duplication of audit issue (FFC, 2013).

The FFC was established to use technology to...Reduce audit fatigue through the sharing of compliance data, without mandating any specific standard or rating factories (FFC, 2013)

Table 5 - Responses to the audit fatigue problem

Initiative	Est.	Founder(s)	Governance	Operationa l scope	Inclusion of Int'l Norms	Mission
JO-IN	2004	CCC, ETI, FLA, FWF, SAI, WRC	MSI-NGO coalition	N/A	ILO and UN conventions	Harmonize MSI standards
Sedex (Supplier Ethical Data Exchange, London);	2004	Marks & Spencer, Tesco, Wal-Mart, Carrefour and Metro	Corporations (retailers and brands)	35,000+ members	ILO Conventions (ETI Code)	Ease the burden on suppliers facing multiple audits. Drive improvements in ethical performance of global supply chains
Fair Factories Clearinghouse (FFC, New York)	2004	Reebok, U.S. National Retail Federation, Retail Council of Canada, and World Monitors Inc.	Corporations, academics, consultants, trade association (WFSGI), audit firms	30,000 factories in 142 countries; 6,000 buyers,	N/A	Continuous improvements in social, environmental and security standards
GSCP (Global Social Compliance Programme, Paris)	2007	Consumer Goods Forum (CGF)	Corporations (retailers and brands)	Companies throughout global consumer goods industries	N/A	Continuous improvement of working and environmental conditions in global supply chains

The second BLI audit aggregator, the Supplier Ethical Data Exchange (Sedex) is launched in London by Marks&Spencer and Tesco, two prominent U.K. retailers with global sourcing, and quickly joined by other global retailers (Wal-Mart from the U.S., Carrefour from France and Metro).

SEDEX is different because SEDEX came at the point, around 2001-2002, when the realization that as ethical trade exploded you have every single brand going out with their own code of conduct, their own requirements of assessing risk, their own requirements for an audit and so the supply chain was being bombarded by multiple requests of varying audits. So even if I did address this audit... the reporting format looked completely different, the grading of the non-compliances is completely different. So another brand couldn't interpret what I was doing. So that was about coming together as an industry, saying we need a common approach to this, we need a common way of assessing risk, we need a common way of sharing data together, a common way of carrying out an ethical audit. [Interview with BLI representative, 2014]

The third BLI audit aggregator, and largest initiative of its kind, is the Global Social Compliance Programme (GSCP) based in Paris. Launched by the Consumer Goods Forum (CGF), a global, industry network, composed of over 400 retailers, manufacturers, and service

providers operating in more than 70 countries, it includes many of the same companies taking part in Sedex (Carrefour, Metro, Migros, and Tesco, Wal-Mart) (CGF, 2013b; Eckert, 2007). GSCP differs from Sedex however, in that it is a harmonization platform, effectively creating translations between different standards and driving convergence towards a common code (GSCP, 2013b)⁶.

Just as they had done previously, activist NGO groups criticize the creation of the GSCP, suggesting it is being set up to undermine and bypass existing MSIs and the NGOs and trade unions that participate in the MSIs (Just-Style, 2007b). They suggest that large retailers are merely setting up another “talking shop” and emphasize that existing MSIs are “better” initiatives:

Martin Hearson, campaign co-ordinator for the UK-based Labour Behind the Label pressure group, says: "These companies are dragging their feet, there is no need for this extra organisation. The ETI is the forum they should use. We don't see the need for what they are doing: it looks like a lot of meetings and not a lot on the ground. My feeling is that the companies are frustrated by the slow progress in the ETI, but they are the reason for it". He says some retailers are unhappy at having to work with adversaries such as trade unions and campaigners and would like to bypass the ETI. (Benady, 2007)

Ineke Zeldentrust, of the Clean Clothes Campaign, one of the largest European anti-sweatshop groups, said she would welcome efforts by the large retailers to address supply-chain issues "but what I see now is a talking shop. We'd like to see them actually join one of the better existing initiatives and actually implement their codes . . . What we don't need is another platform to discuss codes or standards." (Birchall & Rigby, 2007)

CHAPTER SUMMARY AND CONCLUSION

This chapter has provided an overview in the form of a historical narrative of the development and proliferation of private regulation in the global apparel industry. This narrative serves two purposes: 1) to embed the development of private regulation in its historical socio-political context; 2) to illustrate and underscore the movement-counter movement pattern that emerged as efforts to deal with the sweatshop issue played out. Four distinct phases can be observed.

In the first phase, global trade liberalization and integration results in dramatic changes in the global apparel industry that lead to the rise of a transnational anti-sweatshop movement. As apparel manufacturers shift production to developing countries, job losses in North America and

⁶ Although both Sedex and GSCP are pan-industry, the apparel industry accounts for their largest share of operations.

Europe rise exponentially and stories of sweatshop conditions in the factories to which production is outsourced begin to surface, thereby galvanizing the social movement against supply chain labor abuses. Its main tactics concern targeting firm's brands and reputations by exposing sweatshop conditions in the media, as a means of shaming companies into taking responsibility for sweatshop conditions. Composed mostly of numerous trade union associations and various activist NGOs, the anti-sweatshop movement successfully presses various branches of the U.S. and EU governments into action – the sweatshop issue becomes particularly salient in the U.S., and various government actors take action, holding Congressional investigative hearings, proposes legislation and suggest multi-stakeholder approaches as a means of dealing with supply chain labor abuses. The first MSI, SAI, is created in the U.S.

The second phase, spanning from approximately 1997 to 1999, is characterized by considerable successes of the part of the anti-sweatshop movement. Their efforts materialize in further government support and the creation of three more MSI coalitions – one in the U.S. and two in Europe, bringing the overall total to four. These initiatives bring together companies, NGOs and in some cases labor unions and government representatives. The U.S. anti-sweatshop movement also successfully discredits firm-level social auditing of factories, causing “Big Four” auditing firms such as KPMG and PWC to close or sell-off their social auditing practices. At the same time as it successfully makes the case for coalitional approaches, the movement begins to splinter, with diverse agendas gaining ground in different regions. This results in divergent emphases on child, labor and human rights agendas in the various MSIs.

In the third phase, taking place from 1999 to 2004, escalating threats to global trade give rise to a corporate countermovement in the form of BLIs. As the 1990s come to a close, a backlash against the economic integration that took place in the first phase leads to aggressive anti-globalization protests that persist for the early years of the 2000s, garnering some support from leading political figures and leading to concern on the part of free-traders that the liberal trade regime will stagnate. These global protests are closely followed by additional threats in the form of proposed sweatshop legislation in EU and the increased tightening of U.S. border controls resulting from its “war on drugs” and “war on terror”. Trade associations and global retailers respond by creating BLIs – one in the U.S. and one in the EU – which they state are created to deal with the highly fragmented and ineffective private regulatory landscape resulting from MSI efforts. Using tactics similar to those that led to the successful delegitimization of

firm-level social auditing, anti-sweatshop NGO and trade union activists in both North America and Europe attack the BLIs' credibility, suggesting they are merely ploys to avoid participating in MSIs and to deflect government regulation. Yet, this time, activist efforts prove unsuccessful as both BLIs go on to grow considerably and successfully establish themselves as private regulators.

In the fourth and final phase, spanning from 2004 to 2012, the proliferation of private regulation leads to increasing criticisms of audit fatigue -- the overlap in factory audits and duplication of efforts resulting from the incompatibility of the various initiatives -- for which MSIs are blamed. This leads to various attempts at consolidation and integration by both MSIs and BLIs, which paradoxically results in even further proliferation, with the creation of an additional MSI and three additional BLIs. Once again, using a similar approach, activists once again criticize the credibility of BLI efforts and their initiatives' firm-centric approach. However, much as in the third phase, NGO activists and MSIs are unsuccessful in their efforts, as JO-IN, the MSI attempt at consolidation, fails and the "audit aggregator" BLIs go on to establish themselves, growing their organizations and garnering considerable support.

CHAPTER 5: WHY? MARKET STRATEGIES DRIVING MSI AND BLI FORMATION

INTRODUCTION

The previous chapter examines the “what” of private regulation in the global apparel industry, specifically the proliferation of private regulatory initiatives and the context in which it took place. It provides an overview of the momentous world events taking place during this time and delineates their evolution in four phases – the inception of the anti-sweatshop movement, the formation of MSIs, the BLI countermovement and how the issue of private regulatory proliferation was addressed by each type of coalition. This chapter focuses the analysis on the “why” of private regulation, meaning the organizations and strategic drivers that shaped each MSI and BLI initiative. Why did this proliferation occur and why did some companies partner with NGOs to create MSIs while others chose to create BLIs?

This chapter seeks to answer these questions by juxtaposing the organizational and strategic makeup of the founding coalitions. The analysis in this chapter is based primarily on archival data that is complemented and supported by interview data. Table 6 provides an overview of the final data structure resulting from the data analysis that was performed. It begins by investigating the MSI and BLI founding coalitions, paying particular attention to configurational differences and similarities. It then focuses on the competitive strategies of firms in each type of coalition and examines the risk profiles of these firms as a way of contextualizing and assessing the reputational risk to which those firms were being exposed. The resulting objectives and approach of each type of initiative is then examined.

Table 6 - Data structure concerning antecedents of MSI and BLI formation

Aggregate category	2 nd order concept	1 st order concept
1. MSI drivers	1.1 Coalitional characteristics	Newly established coalitions
		Heterogeneous cross-sector partnership configurations
		Varied issue emphasis
	1.2 Business strategies of founding firms	Production outsourcing
		Differentiation through branding
	1.3 Risk profile of founding firms	Target market sensitivity to labor issues
		High exposure to social risk
	1.4 Resulting approach to labor standards	Alignment regarding basic principles
		Variation in implementation

2. BLI drivers	2.1 Coalitional characteristics	Established trade associations
		Highly focused advocacy and services
		Global retailers
	2.2. Business strategies	Price-sensitive customer focus
		Continuously driving down prices via scale, standardization and technology
		Global retailers “get into” apparel
	2.3 Risk profiles of founding firms	Moderately low exposure to social risk
		High exposure to operational and policy risks
	2.3. Resulting approach to labor standards	BLI objectives
		Harmonization across sectors
		Harmonization across issues
		Compliance view of auditing

1. MSI DRIVERS

1.1 Coalitional characteristics

Newly established coalitions

MSIs coalitions were all newly-formed and participants were often working together for the first time in response to the issues at hand. All four began as exploratory working groups created to better comprehend the sweatshop issue and discuss alternatives for addressing it (see Table 7 below). In the early stages, these working groups were coordinated by key organizations, normally NGOs, who established the basic infrastructure, convened members, garnered government support and ensured talks progressed. In the UK for example, the Monitoring and Verification Working Group emerged from a project proposal from the New Economics Foundation (NEF) to the Socially Responsible Business Unit (SRBU), a department within the UK DFID. The initial project, established in early 1998, was managed by the NEF and the Fairtrade Foundation, who setup a board and organized the ETI conference at the end of that same year (Lewis, 2000).

Table 7 - Pre-MSI working groups

	SAI	FLA	ETI	FWF
Working group	Council on Economic Priorities (CEP) Working Group	Apparel Industry Partnership (AIP)	Monitoring and verification working group	Dutch CSR coalition
Main coordinator	Council on Economic Priorities (CEP)	U.S. Department of Labor (DOL)	New Economics Foundation (NEF) & Fairtrade Foundation	Clean Clothes Campaign (CCC)
Date first established	Mid 1995	1996	Jan 1998	Early 1990s
Date of MSI formation	1997	1997	Sep 1998	Mar 1999
Funding	Social Accountability International (SAI)	U.S. Department of Labor (DOL)	UK Dept. for Int'l Development (DFID)	Dutch Ministry of Foreign Affairs

These discussions then progressed into negotiations on the type of initiative to set up and how it would operate. In most cases, a year or more elapsed between the time discussions began and the time the MSI was operational. For the FWF the process took several years with discussions beginning when the sweatshop problem was mostly a domestic issue and then progressed as supply chains became global:

Yes, so back in the 1990s in the Netherlands you had illegal sweatshops...Trade Unions, the CCC...and the business associations at the time came together and said we need to do something about it; they all had their own interests... So they started negotiating and decided okay we need to do something, we're going to establish a foundation for this...So that was when globalization hit the apparel market... Those parties who were discussing said okay, now the production is gone, does that mean that our responsibility ends? And then the whole concept of supply chain responsibility was brought up and they said no we need to continue our conversation because clothes will come to the Dutch market being produced somewhere else under bad labor conditions and we all just agree that we shouldn't want this. So that is when they established Fair Wear Foundation and it took them 3 years to think about methodology and how to make this work. [Interview with MSI representative, 2013]

A representative from SAI discusses the difficulties in getting such a diverse group to work together, described as a gradual process that involved building capacity for cooperation based on an understanding of how other organizations operated:

[Y]ou had people coming to the table who never before had sat down with people from the other sector and people at the companies, individuals who had never sat down with anybody from a campaigning organization or any trade union person or if they had it was in an arm's length negotiations rather than how to work together on something. So people came from very different perspectives, they had very different constituencies and constraints and very different ways of looking at trying to solve problems. So that was a major challenge originally with how can you facilitate that so that you actually had collaboration? [Interview with MSI representative, 2014]

Table 8 - MSI Founding coalitions

Founding organizations	Location	Sector / Type
SAI		
Council on Economic Priorities	New York	NGO (CSR research)
National Child Labor Committee	New York	NGO (childrens' issues)
Association Francois-Xavier Bagnoud	New York & Geneva	NGO (childrens' issues)
Franklin Research & Development (FRDC, now known as Trillium Asset Management)	Boston	Service provider (responsible investment)
SGS-International Certification Services	New Jersey & Geneva	Service provider (audit & certification)
KPMG Peat Marwick US	New York	Service provider (audit & certification)
OTTO-Versand	Hamburg, Germany	Specialized retailer (mail order)
Amalgamated Bank	New York	Bank (owned by Amalgamated Clothing Workers of America union)
Toys "R" Us	New Jersey	Specialized retailer (children)
Avon	New York	Brand / specialized retailer (cosmetics)
Body Shop	London	Specialized retailer (cosmetics)
Eileen Fisher	New York	Brand (women's clothing)
ETI		
UK Department for International Development (DfID)	London	Government (development agency)
Fair Trade	London	NGO (development advocacy)
New Economics Foundation	London	NGO (advocacy)
Oxfam	London	NGO (development advocacy)
Save The Children International	London	NGO (development advocacy)
World Development Movement (now known as Global Justice Now)	London	NGO (development advocacy)
Catholic Agency For Overseas Development (CAFOD)	London	NGO (development advocacy)
Trades Union Congress (TUC)	London	Trade union (national)
International Textile, Garment and Leather Workers' Federation (ITGLWF)	Brussels	Trade union (international)
International Confederation of Free Trade Unions (ICFTU)	Brussels	Trade union (international)
Sainsbury's	London	National retailer
Littlewoods	London	National specialized retailer (mail order)
The Body Shop	London	Specialized retailer (cosmetics)
FWF		
Clean Clothes Campaign	Netherlands	NGO (anti-sweatshop advocacy)
Modint (trade association for fashion, interior design, carpets and textiles)	Netherlands	Employer association (national)
CBW-MITEX (business association for retailers of interior design, fashion, shoes and sportswear)	Netherlands	Employer association (national)
FGHS (business association for sporting goods suppliers)	Netherlands	Business association (national)

FNV Bondgenoten (federation of trade unions - service industry)	Netherlands	Trade union (national)
CNV dienstenbond (Christian trade union - service industry)	Netherlands	Trade union (national)
NOVIB (now known as Oxfam Novib)	Netherlands	NGO (development advocacy)
FLA*		
Nike	Beaverton, OR	Company (brand)
Kathie Lee Gifford (individual; branded clothing supplied to Wal-Mart)	N/A	Company (brand)
Liz Claiborne	New York	Company (designer brand; largest women's apparel brand at time)
Nicole Miller	New York	Company (designer brand)
Patagonia	Ventura, CA	Company (brand)
Phillips - Van Heusen	New York	Company (brand)
Reebok International	Canten, MA	Company (brand)
Karen Kane	New York	Company (designer brand)
Tweeds	New York	Company (brand)
LL Bean	Freeport Maine	Company (brand; mail order)
Business for Social Responsibility	New York & San Francisco	NGO (consulting services)
National Consumers League	Washington	NGO (advocacy)
International Labor Rights Fund	Washington	NGO (advocacy)
Robert F. Kennedy Memorial Center for Human Rights	New York & Washington	NGO (advocacy)
Lawyers Committee for Human Rights	New York & Washington	NGO (advocacy)

* As explained in the previous chapter, three AIP participants do not join the FLA: the Interfaith Center on Corporate Responsibility, a New York-based religious NGO; the Retail Wholesale Department Store Union (AFL–CIO), a New York-based trade union; and the Union of Needletrades, Industrial and Textile Employees (UNITE), also a New York-based trade union.

Heterogeneous cross-sector partnership configurations

MSI founding coalitions were composed of organizations from the private, non-profit, and with the exception of SAI, the governmental sector as well. The cross-sector nature of the coalitions was by design as it was generally felt that the solution required participation and contributions from as many parties as possible. However, these partnerships were strongly embedded in national contexts. As can be seen in Table 8, the organizations participating in SAI were mostly from New York, those establishing the FLA are based in New York and Washington. Similarly, ETI founders are overwhelming London-based organizations and FWF are all based in Amsterdam or surrounding regions. As a result of this regional embeddedness, their organizational configurations and approaches reflected or adapted existing cross-sector

institutional relationships in those countries – the U.S., the U.K. and the Netherlands. This resulted in considerable variation in how MSIs operated.

Government: The collective action was in most cases facilitated, and in some cases financed, by local national government actors. As such, it was clearly part of attempts by governments to develop private regulation as a tool for addressing the issues by means other than public regulation. In the UK, the ETI was endorsed by Clare Short, the Secretary of State for International Development, who garnered parliamentary support and participated in the initial discussions, and the initiative was funded by the UK's Department for International Development (DFID) (Short, 1999; Woolf, 1997). In the Netherlands, the FWF was initially chaired by the Secretary of State, Gerrit Ybema, and financially supported by the Dutch Foreign Ministry (De Twentsche Courant Tubantia, 2004). In the U.S., the FLA was initially convened by the U.S. Clinton Administration as the Apparel Industry Partnership (AIP) (U.S. Department of Labor, 1997). The only exception was SAI, which had no government involvement and received no government financing, and which promoted this fact as evidence of its independent nature (SAI, 1998). The catalyst role for SAI was not played by government but rather by the CEP. Organizations were all part of the network that CEP had established as were all located in or had strong ties to New York. In some respects the initial incarnation of the SAI resembled a New York initiative rather than a global initiative.

Trade unions: Trade unions were founding members of both ETI, and FWF, the two European initiatives but not FLA nor SAI, the two U.S. initiatives (although unions participated in the AIP, they dropped out before the FLA was established). Trade unions participants in the ETI were predominantly international whereas for FWF, the trade unions were exclusively national. The FWF coalitional model stands apart from the rest as no companies were included. Instead, employer groups, trade unions and advocacy NGOs founded the initiative – a model that essentially replicated the “Dutch consultation economy” or “polder” model of cross-sector consultation (Dutch Economic & Social Committee (SER), 2000b)[Interview with MSI representative, 2012].

Companies: Corporate representation for each of the initiatives was equally diverse both in type and quantity. The reputation-sensitive brand companies who formed the FLA represented more than half the board, which led to criticism of its being corporate-led (Benjamin, 1999; Bissell, 1998; Golodner & Karp, 1998). SAI corporate members included a few brand companies

and a variety of service providers such as KPMG and SGS, interested in providing advice and services concerning auditing and verification (Leipziger, 2001). In the case of the FWF in the Netherlands, it was the national business associations representing the sporting goods, fashion and retailing sectors rather than individual companies (Dutch Economic & Social Committee (SER), 2000a). Companies founding ETI were few in number with early adopters being mostly national retailers (FT, 1999; Luesby, 1998).

Varied issue emphasis

Although the MSIs were all focused on the sweatshop issue and referred back to UN and ILO codes as their basis, the specific lens they brought to this main issue varied, resulting in a different emphasis upon the same issue – see Table 9. While they all discussed labor rights, human rights and child labor, they each highlighted a slightly different angle on each of these.

- SAI emphasized child labor, and attracted companies such as Toys R' Us that were closely associated with the issue (SAI, 2013). This was in large part a reflection of the prominence of this issue in public debates and policymaking circles at the time it was founded (Hoyt, 1996; Luesby, 1998).
- ETI had an international development focus that emphasized ethical and fair trade (Reuters, 1997; The Grocer, 1997). This in part reflected the UK government's "trade not aid" approach to development and the strong influence of groups such as the Fairtrade Foundation, New Economic Foundation (NEF), Oxfam and ActionAid who all promoted fair trade principles in global supply chains (Cowe, 1999b).
- The FLA was focused on human rights. Its formation was heavily influenced by the split that took place between the human rights and labor perspectives. Groups emphasizing a labor perspective essentially defected en masse and joined with the student anti-sweatshop movement to form the WRC, an NGO with no corporate members. The remaining NGOs were all human rights-focused and some of the company founders such as Reebok, already had well-established human rights programs in place (Palmer, 1996; Tedeschi, 1998)[Interview with BLI representative, 2014].
- Lastly, the FWF, owing to its strong involvement on the part of unions in the founding coalition, and a tripartite governance model based on the Netherlands' consultation economy,

was concentrated on labor rights of workers in the garment industry global supply chain (FWF, 2002)[Interview with MSI representative, 2013]. The initiative is signed by the Dutch branch of the CCC, two trade associations (the garment retailer associations MITEK and FGHS, the garment supplier association MODINT), two trade unions (FNV Bondgenoten and its federation FNV as well as the Zuid-Noord Federatie) and the development agency NOVIB (which later merges with Oxfam) (Sluiter, 2009). The emphasis of the FWF was on labor rights:

It is understood that the standards for independent monitoring established by the Foundation shall be based on the best practice of the two existing professions that monitor labour practices – the labour inspectorate and the contract-enforcement practices of trade unions. It is also understood that these standards shall include ethical practices for monitors, including respect for any confidential commercial information. It is also understood that any individuals engaged to conduct monitoring shall receive training for this purpose. (CCC, 1998)

Table 9 - MSI configurational differences

	SAI	FLA	ETI	FWF
Issue emphasis	Child labor	Human rights	Ethical trade	Labor rights
Regulatory “template”	ISO standards and auditing	CSR partnership; Sullivan principles	Fair trade	National Tripartite model
Participating companies	Brand companies	Brand companies	National retailers	National SMEs (represented by trade association)
Sector	Pan-industry	Apparel	Pan-industry	Apparel

1.2 Business strategies of brand companies and specialized retailers

As the types of companies founding MSIs varied (brands, specialized retailers, national retailers) so too did their corporate strategies. Designer labels such as Nicole Miller and Liz Clairborne were positioned in the higher margin end of the market and tend to emphasize quality and fashion, while multi-product national retailers such as Sainsbury’s and Littlewoods were focused on mid to lower-tier customers. Nevertheless, some common elements can be observed across the different types of companies, and as will be outlined below, there were considerably more similarities between the companies that joined MSIs than between those that joined MSIs and those that chose to found BLIs. Two of the common elements of the companies that joined MSIs – 1) production outsourcing and 2) differentiation through product branding – were particularly important.

Production outsourcing: As global economic integration progressed and trade barriers were dismantled, production supply chains became increasingly disaggregated. Companies began to outsource most of their production and were increasingly focusing on design, marketing and retail – a strategy some have referred to as “nike-fication” of production (Davis, 2013). Nike has become the quintessential example of this strategy because it was the most visible of the companies at the forefront of this move to produce in overseas factories that it did not own or manage (Goldman & Papon, 1998; Strasser & Becklund, 1993). Nike was so closely associated with this phenomenon that it became the “poster child – resonating with the public and the media – for globalization and footloose multinational corporations” (O'Rourke, 2005, p. 121). Yet, to different degrees, most of the companies that founded MSIs followed similar production and sourcing strategies.

Differentiation through product branding: Coupled with production outsourcing was a concentrated focus on differentiation via design, marketing and retail. The development of strong brand identities with high visibility logos and celebrity endorsements were at the center of the strategy. Once again, Nike stands out for its having espoused this strategy more so than any other company, investing considerable sums into developing its brand recognition and signing the largest endorsement contracts (at the time) with celebrity athletes like Michael Jordan and Tiger Woods (Jones, 1996; Strasser & Becklund, 1993). In the case of mail order businesses such as L.L. Bean and OTTO-Versand, who emphasized their traditional values around heritage and integrity, the brand was a particularly prominent element of the business as they had no physical retail presence (Désor, 2004; Gorman, 2006).

Other companies developed brands that were highly focused on corporate social responsibly claims. Examples of such companies included the Body Shop and Patagonia, considered pioneers in building brand identities around “commerce with a conscience” (Chouinard, 1993, 2005; Roddick, 1994) as well as OTTO-Versand and Eileen Fischer who emphasized their commitment to values-based business and excellent employee relations (Désor, 2004; IISD, 2002; Pofeldt, 2003). The Body Shop was particularly active in MSI initiatives – it was a founding company of both SAI and ETI and was an early member of the FLA. Reebok was an early adopter of human rights issues, funding Amnesty International events and establishing a human rights department as early as 1988 (Gordon, 2001). Following such strategies meant that the value of these companies became closely tied to their brands, an

intangible asset that allowed them to emphasize lifestyle attributes and differentiate themselves from their competitors.

Lastly, many corporate founders' products were positioned in the mid to higher-end market with relatively high margins. At the Fashion Industry Summit convened by the U.S. Department of Labor in 1996 just prior to the AIP, several companies explained how being sweatshop-free was aligned with their strategy based on competing on quality rather than price. An executive from Patagonia agreed that it was easier to respect labor rights when you are operating at the higher end of the price spectrum (Hoyt, 1996). Similarly, the CEO of Nicole Miller specified their approach on producing quality products:

He said that his company tries to keep permanent workers and cut down on training of new ones by offering a wide variety of benefits. "For us," he said, "this is good business... What about a label that assures not only quality of workmanship but human rights also? Here is a comparison: Italy pays 170% of U.S. garment salaries and exports 10% of the world's garments compared to 2% for the U.S. Why? Quality!" (Hoyt, 1996)

1.3 Risk Profile of brand companies and specialized retailers

Target market sensitivity to labor issues

The companies who founded and participated in MSIs were particularly vulnerable to the issues being targeted by the NGOs and media. For some companies the target product market was sensitive to the issue of labor exploitation, often because of the nature of the product itself. Their main customer segments were generally connected to and concerned with the issues that were being raised by the NGOs. Companies such as Toys R Us collaborated on the formation of SAI together with a number of NGOs that were focused on children's rights at the height of the public and political debate on child labor. Many companies whose primary target market was women also joined MSIs because the labor issue had become strongly linked with the exploitation of children and women (the vast majority of sweatshop employees are girls or women). Cosmetics companies such as Avon and Body Shop, whose marketing strongly emphasized their role in empowering women, contrasted strongly to the news stories of the women working in deplorable sweatshop conditions. Moreover, large women's apparel groups such as Nicole Miller and Liz Clairborne became concerned by the demonization that Kathie Lee Gifford was being subjected to in the U.S. media for the use of sweatshop labor in her line of apparel sold at Wal-Mart.

The “Nike moment”, when its CEO publicly acknowledged responsibility for many of the issues facing its suppliers and agreeing to take responsibility for labor violations in its supply chain (den Hond & de Bakker, 2007; Richard M. Locke et al., 2007; Zadek, 2004) resulted from mass demonstrations on university campuses that targeted company stores and its celebrity endorsers (Jones, 1996; Moberg, 1999), contributing to a sharp drop in its share price (Daily Telegraph, 1997). The company was targeted because students were its main market and because it was the industry leader in sports footwear.

Association with labor exploitation was highly detrimental to companies emphasizing their CSR credentials as it contradicted the pro-social claims on which many of them had built their businesses. Similar to the attention focused on Nike, the Body Shop became an important target for activists and journalists. It was featured in a series of damaging newspaper articles and investigations in the year prior to its joining SAI. Reporters claimed its image was manufactured and its production operations no different to its competitors (NPR, 1994; Times, 1995). One of these investigations was published by the New York-based Franklin Research & Development NGO that also became an SAI founder (Bavaria et al., 1994).

High exposure to social risk

Product line concentration: Most of the companies that helped found MSIs were not highly diversified from a product category perspective. The fact that they are single market brands or specialized retailers meant that their brands and products were closely tied to the issue at hand. For example, running shoes and the sweatshop labor issue went hand in hand in the mid-90s, and running shoes are the main source of income for companies such as Nike and Reebok.

Geographic market concentration: In the case of ETI, the concentration was from a market perspective. ETI’s corporate founders were national retail chains that, although diversified from a product line perspective, were closely tied to the U.K. market and dependent its consumer preferences. Ethical and fair trade became a particularly salient issue in UK media, civil society and government policy in the late 1990s, the point in time the ETI was founded. The public and political discourse greatly influenced domestic retail chains. The UK was and remains the world’s largest market for fair trade products (Fairtrade International, 2010; Smithers, 2014). A report commissioned by DFID in 2000 highlighted national retailers’ perspectives:

Mainstream retailers consider that demand for FT [fair trade] products will continue to grow steadily in response to consumer pressure, increased customer awareness (Oxford Policy Management & IIED Sustainable Markets Group, 2000, p. 14).

1.4 Resulting approach to labor standards

As a result of the above, MSIs displayed alignment regarding basic principles but variation in how to implement these in practice (see Table 10 below).

Alignment regarding basic principles:

- International norms as foundation: All the MSI reference ILO and UN conventions regarding labor and human rights as their foundational principles.
- Providing customers/ activists/ media with “sweatshop-free” evidence: MSIs have developed certification systems that include standards or codes of conduct, programs to audit their implementation in supply chains, and product or supplier certifications that signal their social and environmental compliance to the marketplace (Bartley, 2010; Cashore et al., 2004; Conroy, 2007; Marx, 2010).
- Effectiveness through rigorous standards and engagement: MSIs contend that labor conditions can only be effectively addressed via a combination of rigorous standards and intensive factory monitoring. The latter requires in-depth knowledge of conditions in factories and an ongoing commitment requiring multiple factory visits and significant engagement with local factories, unions and NGOs.
- Buyer responsibility: The MSI systems developed place the responsibility on the buyers of the supply chains to correct the problems that are taking place at the contractor sites (SAI is an exception as it placed the responsibility on the factory to become certified, but it later developed a complementary system that included buyer oversight of their supply chains).

Variation in implementation

The outcome of the various founding coalition negotiation processes result in a number of differences regarding operational scope and how the basic principles are interpreted and implemented as a code and within the monitoring system (Bernstein, 1999b). Five key areas of difference are concerned:

- What’s the scope of the initiative? (apparel sector only or multi-sector?)

- Who conducts the monitoring? (the companies themselves, certified auditors, or NGOs?)
- Who is certified? (factories or buying companies?)
- Should a living wage be specified as part of the code?
- Is freedom of association part of the code and how much support is provided?

Table 10 - Comparison of MSI approaches to labor standards

		SAI	FLA	ETI	FWF
Configurations	Reference standards	UN/ILO	UN/ILO	UN/ILO	UN/ILO
	Issue emphasis	Child labor	Human rights	Ethical trade	Labor rights
	Regulatory “template”	ISO standards and auditing	Sullivan Principles; FSC	Fair trade	National Tripartite model
	Industries included	Pan-industry (apparel focus)	Apparel focus	Apparel + Food	Apparel only
	Business sector participation	Brand companies	Brand companies	National retailers	Trade Associations
Operations	Who is certified?	Factory	Buyer	N/A (no certific.)	Buyer
	Living wage payment?	Yes	No	Yes	Yes
	Support for unions?	Moderate	Weak	Strong	Very strong
	Who monitors?	3 rd party certified auditors	Member Cos. (+ surprise audits by FLA)	Member Cos. only (no MSI audits)	Member cos. (+ surprise audits by FWF)
	Complaints procedure?	No	No	No	Yes

2. BLI DRIVERS

2.1 *BLI coalition characteristics*

A distinguishing feature of the BLIs that becomes readily apparent when viewing the list of founding organizations is that these have all been created by retail sector coalitions (see Tables 11 and 12 below). More specifically, founding organizations have taken two forms – 1) existing trade associations and 2) global retailer alliances. These are not mutually exclusive as the global retailers have also been part of a number of different business associations. Both of these and the links between them are reviewed in more detail below.

Table 11 - BLI founding coalitions

BLI	Sector / Type
WRAP	
American Apparel Manufacturing Association (AAMA)	National apparel business association (global retailer and its suppliers)
<ul style="list-style-type: none"> Founded by AAMA's largest members which are also Wal-Mart's largest suppliers (Sara Lee, Vanity Fair Corporation, Kellwood and Gerber for Wal-Mart¹) 	
BSCI	
Foreign Trade Association (FTA)	Pan-European business association (members are global and national retailers)
<ul style="list-style-type: none"> FTA was formed by merger of two national retail trade associations that represent major European retailers including: AVE (HDE - Hauptverband des Deutschen Einzelhandels - Foreign Trade Association of the German retail trade sector); FCD (Fédération des Entreprises du Commerce et de la Distribution - French Federation of Trade and Distribution Companies) Carrefour (France) and Metro Group (Germany) were the main co-founders of AVE, FCD and FTA/GSCP² 	
FFC	
U.S. National Retail Federation (NRF)	Retail (national business association)
Retail Council of Canada	Retail (national business association)
World Monitors Inc.	Consulting (CSR/risk management)
Reebok	Product brand
SEDEX	
Tesco	Retail (global)
Wal-Mart	Retail (global)
Carrefour	Retail (global)
Metro	Retail (global)
Marks & Spencer	Retail (global)
GSCP	
Consumer Goods Forum (CGF)	Global business association (members are global retailers and global product brand suppliers)
<ul style="list-style-type: none"> CGF is a global industry coalition representing 400+ retailers and manufacturers; Tesco, Carrefour, Wal-Mart, Metro and Migros jointly founded the CGF and currently occupy 50% of the seats on GSCP' Governing Board 	

- Although not an AAMA member, Wal-Mart provided support and is listed in some sources as a founding member (Bernstein, 1999b) as well as one of the main adopters of the WRAP factory certification system (Just-Style, 2001b);
- Other co-founders include H&M, Lindex, Karstadt, Migros, and Peek & Cloppenburg, all of which are large retailers that operate on a pan-European or global scale.

Table 12 - BLI founding members

Association / global retailer	WRAP	BSCI	FFC	SEDEX	GSCP
FTA (Foreign Trade Association)		✓			
U.S. National Retail Federation (NRF)			✓		
Retail Council of Canada (RCC)			✓		
Wal-Mart Inc.	✓			✓	✓
Carrefour SA		✓		✓	✓
Metro AG		✓		✓	
Tesco plc				✓	✓

Established trade associations

As can be seen in Tables 11 and 12, national and international retail and apparel trade associations have been instrumental in setting up four of the five BLI initiatives (WRAP, BSCI, FFC and GSCP). WRAP, the first BLI was launched by the AAMA (the American Apparel Manufacturers Association)⁷ shortly after the creation of the FLA. Although not a retail trade association, its largest members are U.S. companies that sell predominantly or exclusively to global retailers, and Wal-Mart in particular. A rapporteur for the Fashion Industry Forum (convened by Robert Reich, U.S. Secretary of Labor), documents H. Lee Scott, Wal-Mart's Executive Vice President for Merchandising and Sales⁸, declaring Wal-Mart's intention to form an association:

Lee Scott... spoke of conversations that Wal-Mart is having with J.C. Penney, the GAP and others about independent monitoring and forming an association to make it unnecessary for each retailer to send inspectors to the same factories. (Hoyt, 1996)

Wal-Mart had an ongoing relationship with the AAMA (Ostroff, 1997) and close commercial relationships with AAMA member companies, particularly Sara Lee (whose product lines include Hanes, Leggs Playtex, Sara Lee, and Bali products), Vanity Fair Corporation (Lee, Wrangler, Rustler, Riders, Britannia and Chic Jeans), Gerber (the leading manufacturer of children's clothes) and Kellwood (the leading private label producer for Wal-Mart who had manufactured the Kathie Lee Gifford line). These companies were the core group of AAMA members that helped set up WRAP together with Wal-Mart's support (Bernstein, 1999b; MSN, 2002), who had been exploring the creation of a factory certification body in the years prior.

BSCI was created by the FTA (Foreign Trade Association), a European business association that promotes and supports a free trade agenda. Located in Brussels, Belgium, FTA has over 1,400 members, most of which operate in the retail sector (of which Carrefour in France and Metro in Germany are the largest), as well as numerous product brand suppliers and national associations. Their stated objective is to "improve the political and legal framework for trade in a sustainable way" (BSCI, 2013b). The FTA is itself an association that was formed by two national business associations representing retailers – AVE (HDE - Hauptverband des Deutschen

⁷ In 2000, the AAMA became the American Apparel & Footwear Association (AAFA) following a merger of two separate trade associations – the American Apparel and Manufacturers Association (AAMA) and Footwear Industries of America (FIA). The AAFA now describes itself as "the national trade association representing apparel, footwear, and other sewn products companies, which compete in the global marketplace" (AAFA, 2014b).

⁸ Scott later became Wal-Mart's CEO from 2000 to 2009.

Einzelhandels – the Foreign Trade Association of the German retail trade sector) and FCD (‘Fédération des Entreprises du Commerce et de la Distribution’ - French Federation of Trade and Distribution Companies) (Beschoner et al., 2013). The main founder, the German AVE initiative, was created as a partnership between the HDE and two German government agencies – German Technical Cooperation (GTZ) and the Federal Ministry for Economic cooperation and Development (BMZ) (Beschoner et al., 2013). During an interview on the history of the organization, a BSCI representative describes the expanded initiative as the logical next step in the ongoing partnership between German and Dutch companies that been collaborating for a number of years on the development of a common standard:

BSCI was formed by companies who partially already worked together with other companies particularly German companies. German retailers had already come together in the so called ADE sector model social responsibility which was a public private partnership between the frontiers association of German retail traders and GTZ [German Technical Corporation] and that was a project which was starting at the end of 2002 and had exactly the same goal - 8 companies from Germany and 10 companies from the Netherlands using exactly the same code of conduct, but not only the code but also the auditing tools, managing manuals, common database to share all its results, common training workshops for suppliers and the sourcing markets. And that was basically exactly what was taken over in the BSCI as well so the same approach [Interview with BLI representative, 2012].

The FFC’s main founders were the U.S. National Retail Federation (NRF) and the Retail Council of Canada (RCC). NRF describes itself as the world’s largest retail trade association, representing a broad gamut of retailers including discount and department stores, home goods and specialty stores, grocers, wholesalers, chain restaurants and internet retailers (NRF, 2013c). Similar to the NRF, the RCC is an industry association representing more than 45,000 stores of all retail formats across Canada, including department, specialty, discount stores, and online merchants (RCC, 2013).

The most recent BLI, the GSCP was created in 2007 by the Consumer Goods Forum (CGF), a global industry network representing over 400 retailers and manufacturers. Tesco, Carrefour, Wal-Mart, Metro and Migros were the driving force behind setting up GSCP (Baue, 2007) and currently occupy 50% of the seats on GSCP’s governing board. The Consumer Goods Forum (CGF) was itself created by the Comité International d’Entreprises à Succursales (CIES; International Committee of Food Retail Chains) a French organization of food retailers created in 1953. The CIES launched the Global Food Safety Initiative in 2000 to harmonize global food safety standards and reduce audit duplication in the supply chain and then expanded to the apparel sector, renaming itself the Consumer Goods Forum (CGF) in the process (CGF, 2015a).

As described above, the launching of BLIs by trade associations such as the FTA, AAFA, NRF, RCC and CGF has been challenged by NGOs for a variety of reasons, chief amongst these is the concern regarding a lack of stakeholder involvement -- NGOs are not included in the development and governance of these organizations. However, trade associations and their members view such actions as falling within the gamut of their key roles and responsibilities. In many respects it is the reason they exist and do not see a reason to change their approach for dealing with such issues or involving NGOs. A BLI representative described retailer expectations of their trade associations regarding ethical labor standards as follows:

Retailers tend to... focus on their trade associations and say 'what are you doing to help? - I am paying you as a trade association to help me come up with a program' [Interview with BLI representative, 2014]

When first announcing that the AAMA would launch a certification program (what later became WRAP), Larry Martin, the President of the AAMA at the time emphasized member expectations during this testimony to the U.S. Congress on the subject of overseas sweatshops:

[A] number of our members asked AAMA to facilitate the creation of a meaningful and comprehensive program to address workplace conditions in the U.S. and around the world. These companies were dissatisfied with the scope and pace of existing initiatives and felt the time had come for apparel manufacturers to play a leadership role. (U.S. Congress, 1998a)

Similarly, when the FTA launched BSCI, it emphasized the demand for labor standards harmonization across European companies in their policy paper explaining the rationale for the new venture:

In view of the wide range of corresponding private initiatives, the FTA has held talks with numerous European trade associations and companies aimed at combining these existing actions to form a pan-European system. This represents a particular challenge, which the FTA has taken up and which it is resolutely following through. The FTA's venture is widely approved of by trading companies and associations. Since July 2002, the FTA has been organising 'European Business Workshops on Social Standards' in Brussels, the aim of which is to work out the elements for a European model for monitoring social standards in order to create synergies. (FTA, 2003)

Highly focused advocacy on trade and harmonization

Trade associations' claims that supply chain labor issues fall within their sphere of responsibility are grounded in the functions that such organizations provide for the broader industry. In particular, they touch on two key advocacy roles provided by these trade associations:

- **Trade policy advocacy:** The first concerns policy-related representation and advocacy on behalf of their members, much of which has concerned trade policy issues. Representing thousands of retailers in developed countries, these trade associations are capable of exerting significant policy influence. Retailers have benefited greatly from global sourcing of products from low-cost labor countries and ensuring the continued elimination of barriers to trade has been a key concern of retailer trade associations. The trade association that created BSCI for example is named the Foreign Trade Association (FTA), a clear indication of its main objective. The AAMA lists international trade policy as the top issue affecting its members and states: “AAFA is an influential voice for the U.S. apparel and footwear industry on Capitol Hill and around the world... International trade serves an important function for the U.S. apparel and footwear industry both in terms of exports and imports. We achieve market openings and reductions in trade barriers through free trade agreements, market liberalizing efforts, World Trade Organization initiatives, and other opportunities” (AAFA, 2014a). Similarly, the NRF states that one of its main functions is global trade policy advocacy: “The NRF Retail Opportunity Index encourages Congress to open markets for consumer goods by tearing down trade barriers that drive up prices for American shoppers and limit export markets for American companies...” (NRF, 2013b). Moreover, their focus on government advocacy is clearly visible in terms of their office locations. Both the FTA and the BSCI are located in Brussels and the AAMA, NRF and WRAP are located in or around Washington D.C.
- **Harmonization via common technology and standards infrastructure:** A second main focus for retailer associations has been technology-related standardization and harmonization, in order to reduce complexity, reduce costs and facilitate global trade. For example, the NRF has set up the Association for Retail Technology Standards (ARTS) division, dedicated to reducing operating costs and harmonizing operations via the development of common technology standards (NRF, 2013a). Similarly, the CGF, which created GSCP, lists global standards harmonization as one of its main goals: “End-to-End Value Chain & Standards – identifying and implementing global standards, protocols and principles for the management of data, processes and capabilities that span the value chain” (CGF, 2013a).

As shall be described below, these two key advocacy services provided by trade associations are directly related to retail business models and the main reason global retailers and their trade associations launched BLIs.

Global retailers

The world's largest retailers, often referred to as "global retailers" -- Wal-Mart, Carrefour, Tesco and Metro -- have been the driving force behind all the BLI initiatives. In some cases they have directly founded the initiatives in an alliance while in others they have indirectly founded them as members of various retailer associations or by encouraging their suppliers to actively set up such initiatives (as in the case of the AAMA creating WRAP). These four companies are the world's four largest global retailers, each established as the largest retailer in its home market -- Wal-Mart in the U.S., Carrefour in France, Metro in Germany, and Tesco in the UK (Deloitte, 2006; Loeb, 2013).

These global retailers have grown dramatically over recent decades, in both the EU and US, driving the consolidation and concentration of global value chains and gaining a growing share of nearly every consumer market segment (Dunford, 2004; Saviolo et al., 2007). Although the idea of retailing across borders was still relatively new at the end of the 1980s (Treadgold, 1988) rapid internationalization of the retail sector took place in the late 1990s (FT, 1998b). A few retailers concentrated on growing into global retailers and developing global brands to match -- these included not just Wal-Mart, but Tesco and Metro as well (FT, 1998b). A Financial Times report at the end of the 1990s describes the global span of Carrefour and Metro, the two continental European retailers:

Carrefour now trades in 15 countries, including Brazil, Korea, Portugal and Taiwan. Metro, the biggest of all the European companies, trades in 17 countries, including Greece, China and Romania. (FT, 1998b).

This global expansion has resulted in their becoming not just some of the world's largest retailers but some of the largest and most influential companies on the planet. Wal-Mart in particular had grown exceptionally large by the end of the 1990s, becoming bigger than the next three largest retailers combined (Basker, 2007) and a powerful force in global commerce (Bloomberg, 2003). It became the world's largest employer, growing from 62,000 employees in 1983, to 1,140,000 in 1999 and to over 2,000,000 employees in 2008 (Gereffi & Christian,

2009). Ranked by revenue, it was already the world's second largest company with over \$193 billion in sales in the year 2000, greater than the GDP of Poland (Anderson & Cavanagh, 2000).

Table 13 - World's largest retailers in 2005

2005* Ranking	Company	Country of origin	Retail sales (USD mil)
1	Wal-Mart Inc.	US	312,427
2	Carrefour SA	France	92,778
3	The Home Depot	US	81,511
4	Metro AG	Germany	69,134
5	Tesco plc	UK	68,866

* 2005 is chosen as the reference year because it is close to the time BLIs were founded

Source: (Deloitte, 2006)

While other global retailers such as Carrefour and Tesco are not as dominant as Wal-Mart they are the largest retailers in each of their home markets and also rank as some of the world's largest companies (Deloitte, 2006; Hurt, 2002). Their size is proportional to the size of their home markets.

2.2 Business strategies of global retailers

This phenomenal growth has been driven by their business strategies which focus almost exclusively on constantly lowering prices by selling increasingly higher volumes (Deloitte, 2006; Ernst & Young et al., 2011; Gereffi & Christian, 2009; Gilmore, 2004; Govindarajan & Gupta, 2002). Their business model revolves around two core elements: 1) Targeting price-sensitive (often lower-income) customers, and 2) Continuously driving down prices via scale and operational efficiency. This business model was mostly applied to agricultural products until the early 1990s. However, in the early 1990s a number of important changes took place in global retailing – international expansion, consolidation and expansion in to the apparel market (Just-Style, 2000; Ostroff, 1997). This section begins by providing an overview of the distinctiveness of global retailers' business models and then discusses how and when global retailers' expanded into the apparel industry.

Price-sensitive customer focus

Global retailer strategies are focused on providing the lowest possible price, and these stores' brands have essentially become synonymous with low prices. Wal-Mart's well-known mottos - "Always Low Prices" used from 1988 to 2007, and the more recent "Save Money. Live Better" - clearly attest to this (Coleman-Lochner, 2007; Gilmore, 2004). This approach targets price sensitive consumers - 42% of Wal-Mart's sales are made to customers earning less than USD \$40,000 per year (Everitt, 2008). Wal-Mart classifies consumers into seven segments, three of which fall into a "price sensitive" category, which makes up 56% of U.S. consumers (Neff, 2007)(see Table 14 below). In a 2004 interview with Frontline PBS, Ray Bracy, Wal-Mart's Vice President for Federal and International Public Affairs, stated the importance of the highly price sensitive customers to Wal-Mart:

One of the things ... that's really important to understand is who we serve. Just as an expression of that: There's about 20 percent of the people that shop at our stores [that] do not have bank accounts. They go where they might [be able] to cash their checks that they get through employers or what have you. And they shop out of an envelope. They don't have bank accounts... The reason I tell you that story is it's an expression of the kind of people that depend on Wal-Mart... the customer is what guides us. And those people that I described, the 20 percent of the population that shop at our stores out of the envelope, that live paycheck to paycheck, we think and we know that they rely on us for the best prices that are available in the marketplace. And over the course of time, the basic needs that they have, whether it's in the electronics department or whether it's in health and beauty aids or in groceries, we feel that they need to have the best product, the best value at the best price we can achieve.... we have an obligation to provide the lowest price of goods. (Frontline PBS, 2004)

Table 14 - Wal-Mart customer segments

Category	% of pop. (U.S.)	Segment	% of pop. (U.S.)	Description
Price-sensitive shoppers – price is the main criterion	56%	Price-value shoppers	16%	Wal-Mart's core customer; very loyal
		Brand aspirationalists	29%	Shop heavily at Wal-Mart but are less brand loyal
		Price-sensitive affluent	11%	Higher income but are still focused on getting best deal
Less-price sensitive – main criterion is not price	44%	Social shoppers	7%	Shop for fun
		Trendy quality seekers	12%	Looking for style and quality
		Convenience seekers	11%	Convenience is highly important
		Conscientious Objectors	14%	Refuse to shop at specific retail chains (may be due to labor or environmental issues)

Source: Neff, J. (2007, Sep 3). Who Shops at Wal-Mart ... and Who Doesn't. A Look at How the Retail Giant Classifies U.S. Consumers, Advertising Age. Retrieved from <http://adage.com/article/news/shops-Wal-Mart/120197/>

Tesco, based out of the UK, Carrefour from France and Metro Group from Germany, all follow similar consumer segment targeting strategies (Child, 2002; Leahy, 2013). Tesco's mottos for example have included "unbeatable value" and "we've cut prices again" (Kelly, 2000). Carrefour has used "Les prix bas... La confiance en plus" (Dupuis et al., 2006; Hurt, 2002).

Continuously driving down prices via scale, standardization and technology

Global retailers are focused on continually lowering transaction costs across entire supply chains – what has been referred to as "continually driving costs out of supply chains", an adaptation of just-in-time and lean manufacturing production methods (Gilmore, 2004). This involves the standardization of processes and products (Basker, 2007; Gereffi & Christian, 2009). Tesco's sophisticated logistics and supply chain management have been singled out as a main factor in its success (Smith & Sparks, 2004) as well as Wal-Mart's 1,000 person IT department, which operates the world's largest corporate database (Gereffi & Christian, 2009). While some brand companies and speciality retailers such as Gap, Intidex (Zara) and Apple have become highly adept at managing their supply chains, the emphasis on efficiency is much greater for global retailers and the scale is several orders of magnitudes larger.

Whereas a typical large apparel manufacturer in the U.S. will source product from between 500 and 3,000 factories (Pereira, 2005) Wal-Mart sources product from over 100,000 suppliers located in over 60 countries (Wal-mart, 2014a) and deals with over 60,000 factories (Gereffi & Ong, 2007). This is partly due to its strategy of not relying on any one provider for more than 4% of its purchase volume in order to not become too dependent on any one company (Govindarajan & Gupta, 2002). Global retailers offer nearly every consumer product category and a dizzying array of stock. Each product is referred to as stock keeping unit (SKU). The number of SKUs in an average superstore or hypermarket has grown consistently in recent decades. From 2004 to 2011 alone, it grew from an average of 100,000 SKUs per store to 150,000 SKUs per store (Frontline PBS, 2004; Supply Chain Digest, 2011).

In order to effectively manage their immense number of suppliers and products global retailers such as Wal-Mart have used their considerable influence over supply chains to ensure standardization of all of its suppliers' operations. An article in JOC, a trade industry journal, discusses the extent of Wal-Mart's ability to shape its apparel suppliers' operations via its Vendor Managed Inventory (VMI) system, referring to it as "forced cooperation":

The dominance of the big retailers in the US goes some way to explaining how cooperation has come about. Approximately twenty retailer groups account for 80 per cent of sales. Manufacturers have been 'forced' to cooperate with the retailers in order to survive. Vendor Managed Inventory (VMI) has become the norm, with manufacturers producing floor ready merchandise that can be put on display as soon as it arrives at the store. Gone are the days of stores employing staff to unpack, price and hang the garments from branded suppliers. These days the supplier does all the work! Cooperation is helped by common standards applied across the whole industry in the US. These mainly arise from the work of the Voluntary Industry Communications Standard (controlling EDI), Uniform Codes Council (controlling UPC codes and labeling), and the National Retail Federation (coding colors). The lack of similar standards in Europe is one barrier to efficiency in the supply chain that will have to be overcome. (Textile Clothing Technology Corporation (TC2), 1998)

It is important to note that this lowest-price/highest-volume strategy is distinct from other large retailers such as Target, Costco and Trader Joe's in the US, and M&S and Sainsbury's in the UK (McArdle, 2013). In the U.S. for example, the next largest retailers after Wal-Mart are Target and Costco. Target's strategy is however focused on offering value that is generated from "style and fashion" (Magretta, 2002). Costco also differs strategically as it carries a much lower number of products -- approximately 45,000 SKUs, a fraction of the number carried by Wal-Mart. Similarly in the UK, Tesco's model differs significantly from other UK supermarkets such as Marks&Spencer and Sainsbury's (Seth & Randall, 2001) which do not have such a single-minded focus on price and volume, often emphasizing other aspects such as quality and lifestyle choices in addition to, or over and above, price (Child, 2002; Colla & Dupuis, 2002).

It is also important to appreciate how this strong focus on price and volume affects nearly all aspects of their operations. Contributing to the recent debate on the quality of retail jobs in the U.S., some analysts have suggested that Wal-Mart will never be able emulate some of its competitors, such as Costco or Trader Joes', who offer much higher salaries and full benefits to their employees. They argue that that Wal-Mart's business strategy, particularly the SKU volumes it deals with, precludes its being able to do so because its business strategy is tightly coupled with its labor policies (McArdle, 2013):

[T]he number of products that a store carries... [has] far-reaching effects on everything from labor, to location, to customer service and demographics. We tend to look at the most politically salient features of the stores where we shop: their size, their location, the wages that we pay. But these operations are not so simple. They are incredibly complex machines, and you can no more change one simple feature than you can pull out your car's fuel injection system and replace it with the carburetor from a 1964 Bonneville (McArdle, 2013)

Wal-Mart's ability to alter its business model has recently been put to the test. The company attempted to move upmarket by gradually shifting to a higher margin, lower volume approach. This involved cutting back the number of available SKUs in a given store and promoting higher

margin items (such a strategy would effectively have brought them closer to Costco's approach). This resulted in lower sales and the new strategy was deemed a failure, forcing the company to reverse course and return to its core strategy – lowering prices and increasing the number of SKUs on offer (SCDigest Editorial Staff, 2007). The inability of Wal-Mart to shift its strategy away from its low cost/ high volume offering demonstrates how core this approach is to its success and how ingrained it is in its operations. As such, Gereffi and Ong suggest that price has become the defining characteristic of Wal-Mart:

Wal-Mart has come a long way from its “Buy America” slogans in the mid 1980s. Today it is the epitome of a company that wins through globalization: it maximizes its global reach on the supply side in order to capture American demand with a profit-maximizing combination of low prices and low wages. (Gereffi & Ong, 2007)

As will be discussed in the next section, this is an important factor to consider in evaluating its main sources of business risk, including reputational risk.

Global retailers “get into” apparel

A number of changes take place in global retailing in the 1990s that intersected with the events taking place in the apparel industry surrounding labor issues. These include 1) retailers' identification of the apparel sector as a future source of growth; 2) outsourcing of production to developing countries.

In the 1990s the largest global retailers begin to focus on “non-food” items, of which apparel is one of the largest segments, as the next big growth area (Just-Style, 2000). These retailers had all started as grocery stores and had maintained food items as their main source of revenue. This was particularly true of the Carrefour and Metro at the beginning of the 1990s, who carried a very limited number of apparel products. The strategy to expand into apparel resulted in dramatic changes in how apparel was sold with retailers acquiring a quickly growing share of the apparel market in both the U.S. and Europe throughout the 1990s (Gereffi, 2001) (Just-Style, 2001a). Much of this growth came from both global retailers' increasing share of the overall retail market (consolidation of outlets) and from the tremendous growth in private label brands, meaning merchandise produced exclusively for specific retailers. Private labels accounted for 25 percent of the total apparel market by 1993 becoming a key target for growth by global retailers in the 1990s and early part of the 2000s (Dickerson, 1995: 460 in Gereffi

2001)(Just-Style, 2001a). In 1997, Wal-Mart declared the company's desire to dominate the apparel sector during his address at the AAMA annual meeting:

He [Scott, Wal-Mart's VP] asserted that Wal-Mart, the world's largest retailer, wants to be dominant in fashion but will depend on vendors to achieve that. "Is there any wonder that we don't dominate in fashion? This is not our heritage, and this is not our skill," he said. He noted that apparel has the worst sell-through of any merchandise category in the chain. (Ostroff, 1997)

This new emphasis on apparel took place as more production was shifting overseas as a result of lowered trade barriers. Many of the main suppliers to global retailers were also shifting strategies in the mid-1990s. The U.S.'s largest apparel companies such as Sara Lee, and Phillips-van Heusen were focused on growing global brands while shedding production facilities by closing their factories and outsourcing to overseas contractors (Gereffi, 2001).

The AAMA played a pivotal role in both promoting further trade liberalization and facilitating partnerships between Wal-Mart and big apparel producers. Trade agreements such as NAFTA had proved greatly beneficial and many made use of the AAMA to lobby for further trade liberalization. Sara Lee and other large apparel manufacturers lobbied for expanding NAFTA to the Caribbean via the AAMA:

Considering the stakes, Sara Lee has thrown its support behind a lobbying effort led by Ken Duberstein, a former aide to Presidents Reagan and Bush. Mr. Duberstein stands to make between \$500,000 and \$1 million if he is successful in getting the trade plan attached to the giant budget bill before Congress, say sources familiar with his compensation. Mr. Duberstein's salary is being paid by the American Apparel Manufacturers Association, which has more than 100 companies that would benefit from the bill. But a large share of the benefits would go to the three or four largest U.S. apparel companies, and Sara Lee is by far the largest beneficiary (Maggs, 1997).

At the AAMA's annual meeting that same year, Wal-Mart's Scott proposes a partnership with large apparel manufacturers to use outsourcing as an opportunity to shorten sales cycles:

What angers me is that there is not an apparel manufacturer in the U.S. who will come in and say, 'We're going to be your partner; we're going to give you [Wal-Mart] this fashion business; we may source all around the world... but we're going to help you save money because your sell-through will be accelerated -- because when we source, we're not going to source it 13 months out, but eight months out so we can be closer to the trends.' The aim, Scott said, is to stock hot apparel while sales still are climbing (Ostroff, 1997).

Wal-Mart's efforts took place just as the sweatshop issue engulfed one of the most successful private labels in the mid-1990s - Wal-Mart's Kathie Lee Gifford line of clothes. Yet, as has been outlined above, Wal-Mart did not join an MSI, as do none of the other global retailers. Together with Tesco, Metro and Carrefour, Wal-Mart went on to lead a BLI countermovement to the MSIs that were being established. The next section outlines how the risk

profiles of these global retailers differ considerably from companies that founded MSIs and how these contributed to their being able to avoid participating in MSIs.

2.3. Risk profiles of global retailers

Attenuated exposure to social risk

As a result of their business strategies, global retailers are less sensitive to reputational risk stemming from social, labor and environmental issues than brand companies. This is not to say that they are completely immune to reputational risk arising from negative publicity concerning these issues, but they are comparatively less affected and have considerable room in deciding how to address labor issues arising from outsourcing from developing countries. There are several reasons for this.

First, the price sensitive customers that make up the bulk of their customer base are less likely to take social and environmental concerns in consideration. As outlined above, buying decisions are primarily based on their ability to deliver low costs and convenience by offering the lowest price on an extensive range of products (Bianco et al., 2003; Colla & Dupuis, 2002; Govindarajan & Gupta, 2002). Second, the thousands of products and extensive number of SKUs means that global retailers are essentially highly diversified from a product line perspective – although they are some of the largest sellers of apparel, they are also dominant in numerous other categories including groceries, entertainment, and health and wellness (Burch & Lawrence, 2007), which make up a larger share of their overall sales. Apparel, in fact, is Wal-Mart's fifth largest product category (Soni, 2013). As a result, reputational risk stemming from a particular product category is more diffuse.

A third reason is that their scale of operations means that global retailers cater to a much broader market base which is highly diversified from a geographic perspective. As a result, boycotts are more difficult to organize as the size of the customer base required to be mobilized is incredibly broad and highly dispersed. Lastly, in the case of Wal-Mart, the bulk of its consumers are located in small towns where it is the only retailer for tens or hundreds of miles around (Bonanno & Lopez, 2012; DePillis, 2016; Magretta, 2002). In such cases, there are very few alternatives. Consequently, global retailers have been described as having a certain “distance from the issues” revolving around labor issues and standards:

Customers don't really care about that sort of thing [ethical standards] as much as some NGOs claim. For many customers it's about price and convenience. That's what's they're thinking about when deciding whether to buy something that's on the rack. The sweatshop issue is something that a small number of customers who shop at places like Wal-Mart care about... and they care about it for a short amount of time. [Interview, with BLI representative, 2011]

High exposure to trade regulation and supply chain risks

While somewhat insulated from social risks, global retailers are considerably exposed to trade policy and supply chain risks (Deloitte, 2006). This is because, as described above, the successful application of low price/ high volume strategies are predicated on efficiently integrating an immense number of supply chains across multiple national borders. The focus is on continually streamlining these production chains. These multiple production streams run the gamut from arms-length suppliers (often managed by agents), to close collaboration with suppliers, to private label production by outsourced parties. Moreover, they cover nearly every consumer product segment available – meaning tens of thousands products in hundreds of product categories. This renders the management of this intricate network of operations both an essential capability and a primary source of business risk [Interview with BLI representative, 2012]. Any obstacle to the continued efficiency of logistics -- ie.: anything that increases the complexity of the supply chain -- is perceived as a source of risk. Chief amongst these are trade barriers resulting from regulatory requirements (Krafft & Mantrala, 2010; NRF, 2013c). In establishing BSCI, the FTA clearly states that it is doing so as to avoid what is perceived as unnecessary government regulation regarding sweatshops:

There was also increasing fear of more legislation at the European or national level. At that time the European commission was also... still... let's say more in the mood to come up with more legislation than the years after.... after that, the commission changed and you had different new commissioners in charge and they basically left it up to business to organize itself... [Interview with BLI representative, 2012]

The FTA has also put the issue of CSR and social standards on its agenda. On the one hand, this is because of the actions taken by the European Union, in particular the possibility of legislative measures as of mid-2004.... At national level, on the other hand, legal regulations have already been drawn up in a number of European countries. For instance, a Social Label Act has come into force in Belgium... There is a need to make it clear that it is in the interests of European trade to act in a socially responsible manner and state regulations in this area – whether imposed through the EU or through national governments – are neither required nor desirable. (FTA, 2003)

In addition to government regulation concerning sweatshops, in the U.S. a number of other public regulations, codes and standards had to be given considered starting in the early 2000s – for example regulations and reporting requirements surrounding terrorist activity and drug

smuggling by cartels (see chapter . The growth in the number of such standards and requirements grew quickly – first with concerns in the 1990s regarding drug smuggling in cargo being shipped into the U.S. for apparel companies. In the early 2000s, terrorism concerns resulting from the 9/11 terrorist attacks taking place in New York, triggered a fresh round of reporting requirements and customs compliance for companies importing goods into the U.S. or EU. The risks are described in an interview with a BLI representative as follows:

We also have another phase the aftermath of 9/11 the US customs demanded protocol to ensure cargo security and so there is a whole new set of requirements associated with making sure that container was always dealt with in a secure way that the expenses around this facility, the verification of who is in and out of the facilities if you don't do these things your cargo could be sitting somewhere in a long beach for months because there is a fear of what is inside that box. [Interview with BLI representative, 2013]

The creation of private labor standards represents an added layer of complexity which becomes magnified if multiple standards are developed for each category of product. The apparel industry alone had four different MSI systems when the first BLIs were introduced. Add to this a proliferation of private standards for other product categories such as agricultural and electronics products -- each of which was developing their own sets of standards at the time (Fuchs et al., 2011; GoodElectronics & CSR Platform, 2009; Schouten & Bitzer, 2015) -- and the number of standards and codes of conduct that must be managed quickly escalates into the dozens or hundreds [interview with BLI representative, 2014].

A last point concerning global retailers supply chain risks concerns their relationship with trade unions. Global retailers have for the most part gone to great efforts to limit unionization of their workforces and those of their suppliers in order to limit labor unions' ability to increase labor costs and disrupt operations via strike action. In some cases, particularly with Wal-Mart, this has resulted in the deployment of an aggressive approach towards unions that includes anti-union tactics (GlobeScan, 2013; Greenhouse, 2015). As referred to above, MSI approaches generally included support for labor unions in the developing countries. Supporting such a position was a difficult proposition for global retailers and companies whose business strategies were focused on price competition enabled via lower labor costs through overseas outsourcing. For example, the AAMA's president plainly stated that an early objective of the WRAP initiative was to avoid involvement with labor unions:

[T]he 'AAMA effort began in part to avoid involvement with the union members of the White House group', said AAMA president Mr Larry Martin.... 'I doubt if we'll have unions involved, since we're management folks, said Mr Martin" (Bernstein, 1999a)

2.4 Resulting approach to labor standards

The resulting BLI ventures by retailers and their trade associations – BSCI, WRAP, FFC, SEDEX and GSCP – were attempts to safeguard unrestricted access to foreign producers and minimize the regulatory and financial costs associated with doing so. This resulted in a focus on developing an approach to labor standards that reflected global retailers' strategic and operational realities by integrating existing legal, trade and production frameworks. Doing so would ensure that the basic infrastructure on which their business models were predicated would be maintained -- by simultaneously solving the proliferation problem, maintaining regulation at bay and minimizing the cost of factory audits. This approach entailed two specific elements: harmonization of private regulation across issues and sectors; reducing factory audit costs via a compliance approach to auditing and audit sharing.

Harmonization across issues and sectors

In order to deal with the proliferation of standards, BLI efforts were focused on driving convergence in labor, human rights and environmental standards across all the supply chains they touched. The overall objective, as a Tesco director who was involved in both the Sedex and GSCP BLIs states during an interview with the Financial Times, was to eventually get to one single standard:

Terry Babbs, Tesco's international trading law and technical director, says... [t]here is a bewildering variety of different ethical codes covering labour practices, environmental sustainability, human rights and so forth. Tesco, along with some other big retailers, has tried to bring them all together through initiatives like the Global Social Compliance Programme and the Supplier Ethical Data Exchange (Sedex), systems of sharing information about auditing and compliance procedures which should help prevent one company being undercut by low standards in another. "There is plenty of room for confusion and duplication, which is why Tesco has put so much effort into initiatives like GSCP and Sedex," Mr Babbs says. "There are more than a thousand labour codes in existence, and it would help greatly if there was a single code." (Beattie, 2009)

Similarly a Sedex representative suggests that the problem with MSIs are that they are focused on a single issue. In order to remedy what they view as a problem, BLIs such as Sedex were designed as a holistic approaches that addresses multiple issues concurrently:

I think the problem with ETI is that it has a single issue focus... that labor standards these are separate to human rights, these are separate to environmental, these are separate to highly productive factories... I think what Sedex is doing quite well is that it is recognizing that you need a much more holistic systems-thinking approach that addresses most issues. And I think that those initiatives that are single issue - that will be a problem for the future because organizations just aren't going to think in that way. [Interview with BLI representative, 2014]

Most of the BLIs have focused on integrating as many reporting requirements into their standards and codes in an effort to create comprehensive approaches that permit the streamlining of reporting and transparency requirements. This is especially true of WRAP whose approach was significantly affected by the “war on drugs” and “war on terror”. When discussing efforts to develop what was to become the new WRAP initiative, during his testimony before the U.S. Congress, the AAMA’s president outlines the intention to cover labor and environmental issues as well as trade issues, particularly customs requirements and the illicit drug trade:

These principles address the most important problems in the workplace with which we all are familiar. But they also go further. They deal also with violations of customs law and efforts to prevent the movement of illegal drugs in shipments of apparel. These principles form the core of a comprehensive compliance program that we are currently developing (U.S. Congress, 1998a)

An interview with a WRAP representative, familiar with the discussions that took place within WRAP’s founding group while the program was being designed, describes the process by which such issues became integrated into the initiative:

[T]he discussion veered to what else would have an impact on our ability to confidently source from these factories with regards to their practices concerning labor issues and human rights issues... and this is probably also driven in part by the fact that at about the same time the apparel supply chain had gotten itself in the news negatively for the fact that I think one of these Central American drug cartels had figured out that, ‘Hey this can be a very efficient supply chain. They move the products out of the country all the time. If we can fill back some drugs onto these containers of t-shirts that is a good way to get them out of the country’... then post September 11th, as I said, [the code] got expanded to security in general. Because now it was no longer simply a threat that drugs could be smuggled in but also biochemical weapons and God forbid a dirty bomb. And so it proved useful to make that addition [Interview with BLI representative, 2012]

Moreover, in addition to cover as many issues as possible, BLIs are also focused on the development of a common set of standards across not just the apparel industry but all of the industries included in its supply chains. As such, the BLI efforts have been focused on the develop common standards that, while focusing on groceries and apparel, could be rolled out across numerous sectors (Gardner, 2006). The GSCP is clearly the most comprehensive initiative in this respect:

The new Global Social Compliance Program code will cover both food and non-food production for retailers and brands – making it potentially the most sweeping initiative since the emergence of the supply-chain monitoring movement a decade ago. (SCDigest Editorial Staff, 2007)

Reducing costs via a compliance approach to auditing

The audit approach developed by MSIs was viewed as running counter to retailer business strategies. The requirement to perform social audits at factories was viewed as particularly onerous and costly to retailers who deal with a vast network of manufacturers and suppliers that numbers in the thousands. Audit costs can quickly become magnified when operating at such a scale and can quickly eat into the retail industry's razor-thin margins. The feasibility of an audit approach along the lines of what MSIs were suggesting is now recognized even by MSIs as problematic for global retailers:

The retailers also they are a bit "further away" from where goods are made - there are lots of steps in between. So their idea is 'okay if we really need to know all these multi stakeholder initiatives want' [us to report] that is for us really too difficult to do [Interview with MSI representative, 2013]

U.S. retailers strongly resisted any responsibility for supply chain abuses right from the beginning when the issue first came to light and well into the late 1990s. During hearings on the sweatshop issue held on Capitol Hill by the Education and Workforce Subcommittee on Oversight and Investigations in the late 1990s, the NRF declined to send a representative, instead submitting a statement that reiterated the retailers' general view that working conditions at contractors are ultimately the manufacturers' problem:

We still maintain this is a manufacturers' issue, not a retail issue. We have strong contractual language with our manufacturers. They are the ones that subcontract out the pieces of garments to be sewn.' (WWD, 1998)

Global retailers and trade associations eventually came to the conclusion that they needed to address the sweatshop issue in a way that would shift both the responsibility for addressing the issue, and the cost of auditing, to the factories. The need to contain costs was one of the main goals for all of the BLI initiatives. Consequently, they developed a certification approach based on compliance in which factories paid for audit and verification according to the laws of their own country. This compliance approach with factory audits paid for by the factories themselves was viewed as "building responsibility into the system" as opposed to "monitoring it from above" [Interview with BLI representative, 2011]. In discussing how WRAP was set up, a BLI representative highlights one of its main goals early on:

With support of the AAMA Board, Mr. Martin began a series of meetings with members to develop a program focused on responsible apparel production principles.... an important element of the early business model was that the factory would pay for the certification and it would be responsible for achieving and demonstrating compliance to a third party auditor. The group began meeting on a

regular basis to further the development of the business model for WRAP. [Interview with BLI representative, 2013]

Similarly, the same approach is pointed out as the core idea for the FFC and SEDEX and FFC:

The establishment of the FFC partly stems from a November 2002 executive conference in New York in which several CEOs complained of having to "carry the burden" of factory monitoring - which can be expensive - while some of their rivals did nothing. An average audit costs \$1,200 to \$1,500. Many major manufacturers use 500 to 3,000 factories per year. (Pereira, 2005)

[I]f you look at SEDEX – it's a program that is primarily factory-funded...Retailers are paying a small fee to be able to obtain the information that is coming from that. WRAP has a very similar program... it puts the onus on the factories to do something [Interview with BLI representative, 2014]

CHAPTER 6: HOW? MSI AND BLI COALITIONAL STRATEGIES

INTRODUCTION

This chapter examines one of the most understudied aspects of private regulation – the strategies of the MSI and BLI coalitions that are developing and promoting the standards and codes of conduct. Having established the movement-counter-movement pattern in chapter 4 and the strategic drivers shaping MSI and BLI mobilization in chapter 5, the attention in this chapter turns to the strategies used by MSIs and the counter-strategies employed by BLIs. It looks specifically at how MSI and BLI founders successfully establish such coalitions and how strategies are similar or differ from one coalition to the next.

Drawing on both the theoretical concepts introduced in chapter 3 and the results of the coding performed on the interview and archival data, the analysis of coalitional strategies are examined in two dimensions: 1) Framing strategies: how MSIs and BLIs describe the sweatshop issue and the approaches they have developed to address it, in ways that justify and create a shared understanding for collective action; 2) Organizational strategies: how MSIs and BLIs developed and grew their organizations and the broader movement in order to achieve industry-level impact. As social movement organizations, both MSIs and BLIs are particularly concerned with affecting change on a macro-level – as such, the second point pays particular attention to the recruitment and scale shift strategies employed by MSI and BLI coalitions.

The final data structure, presented in Table 15 below, is based on the coding of the archival and interview data. This is used as the organizing structure for this chapter – I systematically explain each of the 2nd order concepts using the 1st order concepts listed below. These are grouped together by the aggregate categories in the left-hand column where categories 1 to 3 refer to MSIs and where categories 4 to 6 refer to BLIs.

Table 15 - Data structure for MSI and BLI strategies

Aggregate category	2 nd order concept	1 st order concept
1. MSI strategies (framing)	1.1. Credibility through democracy	Standards based on established inter-governmental norms (UN, ILO)
		Founded upon democratic principles of deliberation
		Shared and inclusive governance
	1.2 Progress through innovation and learning	Wider pool of knowledge and skills
		Foster learning processes
		Ongoing research and experimentation
	1.3 Effectiveness through rigorous standards and local engagement	Increasing emphasis on capacity building
		Considerable local engagement
		Transformative rather than superficial change
2. MSI strategies (organization)	2.1. Mobilization via partnership with CSR leaders	Partner with leaders in ethical supply chain practices
	2.2. Scale shift – recruitment via market mechanisms	Challenges in growing beyond early adopters
		Maintain pressure on developing best practices
		Harness market and institutional forces via transparency
3. MSI strategies (outcomes)	3.1 Stagnation and attempts at strategic reorganization	Tradeoff between scale and rigor
		Pressures to demonstrate impact
		Attempt at harmonization
		Government disengagement
4. BLI strategies (framing)	4.1. Credibility through representational authority	Authority of founding coalitions
		Scale of initiatives
		External perceptions of critical mass
	4.2. Progress through management systems	Business-driven identity
		Non-political, expert-driven
	4.3. Effectiveness through harmonization	Clearly articulated value propositions
		Problematize MSI approaches (narrow and inefficient)
5. BLI strategies (organization)	5.1. Mobilization by leveraging existing resources	Broad rather than deep change
		Business associations “incubate” collective action
	5.2. Scale shift by recruiting from supply chains	Adapting established practices
		Leveraging supply chains and other associations for new members and factories (push and pull)
Lowering barriers to adoption		
6. BLI strategies (outcomes)	6.1 Consolidation via apex-positioning	Establishing overarching frameworks
		Partnering with global IGOs

1- MSI STRATEGIES (FRAMING)

1.1. Credibility through democracy

Democratic ideals are consistently invoked by MSI representatives as underpinning all aspects of their organizations. Governance and most aspects of the MSI operations are referred to

as being inclusive of a broad range of stakeholders. These include the principles upon which they are founded, their relationship to national laws, as well as their governance structure and operations.

MSIs highlight the fact that the norms on which their standards and codes are founded, the *UN Universal Declaration on Human Rights* and the *ILO Declaration on Fundamental Principles and Rights at Work*, are universally recognized agreements developed via inter-governmental democratic processes. Furthermore, each of the initiatives specifies that their engagement in developing countries is not intended to replace or interfere with local laws and regulations but rather to complement national laws and support democratic institutions. An interview with an SAI representative highlights this aspect:

So we felt it was credible that the standard was developed on the basis of United Nations, particularly ILO conventions and other documents and National Labor Law... we don't want to displace governments we want to support and strengthen labor laws and their implementation [Interview with MSI representative, 2014]

Democratic principles are also emphasized when describing how MSIs are founded. These frequently take the form of references to the inclusion of different sectors of society, and more specifically the inclusion of civil society representatives – whether trade unions, NGOs or both. Descriptions are underpinned by the idea that consensus from these different groups was required in order to provide credibility to the initiative. As an interview participant put it: “Initially the multi-stakeholder nature itself we thought was an element of credibility” [interview with MSI representative, 2014]. A representative from FWF suggests that their inclusion of stakeholders from countries where the garments are produced is especially important:

Because the foundation is a joint initiative of Dutch businesses, unions and NGOs, and because it also involves stakeholders in countries where garments are produced it is referred to as a "multi-stakeholder" initiative. This broad base of participation gives the Fair Wear Foundation the credibility to perform its tasks, principally the verification of the implementation of the FWF Code of Labour Practices. (FWF, 2002)

A particularly prominent point that is stressed by MSIs is how their governance structures balance power differentials by granting equal voting power to the various organizations on their boards. While the sectoral composition varies from one initiative to another (as explained in the previous chapter), the multi-stakeholder nature of MSI boards is generally understood to mean that decision-making power is shared amongst different groups.

You know it is all about voting power, right? Who decides the strategy, who decides the budgets and there you need equal voting power between business and non-business [Interview with MSI representative, 2012]

MSIs further stress that once they have evolved beyond the inception phase, this democratic approach involving ongoing dialogue and deliberation becomes established and formalized not only in their governance but in their programmatic and operational structures as well – “It’s baked into their DNA” as one interview participant referred to it [Interview with Consultant, 2012] when summarizing how they operate and what makes them credible.

The multi-stakeholder approach isn’t just on the board – it’s on everything we do. So, wherever possible projects... have all the stakeholders there. And stakeholders have a role in the standards so that is one of the things that we felt made it credible from the beginning. [Interview with MSI representative, 2013]

A critical element of the emphasis on democratic processes and structures is the requirement for transparency, particularly reporting progress to the public on an ongoing basis:

Public reporting is an integral part of the FLA process. By reporting on the activities undertaken by participating companies to improve working conditions, the FLA aims to serve as a source of independent information to promote public accountability of companies and to give consumers the information they need to make informed purchasing decisions. (FLA, 2003)

As will be further elaborated below, this emphasis on transparency was core to their efforts not just as a means of upholding democratic principles. Transparency was also critical to their efforts to scale up the initiatives across the industry by including customers as key stakeholders.

1.2 Progress through innovation and learning

The argument that a cross-sector approach leads to greater innovation is frequently voiced by MSI representatives, who maintain that cross-sectoral approaches produce results that could not have been achieved otherwise. They state that they are developing novel regulatory solutions that achieve progress because they are able to get to the underlying causes of what is a complex issue. This assertion rests on three main points. The first concerns the benefits of the cross-sector composition of the coalition itself. It is suggested that the inclusion of a diverse group of stakeholders provides access to a wider pool of knowledge and skills than a membership drawn from a single sector. An SAI representative suggests that the process of exchange and deliberation that took place often produced both unexpected and superior results:

Usually the outcome wasn't anything anybody had brought to the table but an innovative way of approaching it that was better than what anybody in particular wanted [Interview with MSI representative, 2014]

The second important point regarding the innovative nature of MSIs concerns the learning processes they foster. Innovative approaches to addressing labor issues are repeatedly referred to as the result of iterative approaches that emphasize “learning” to achieve a fine-grained understanding of the problem and how it may be resolved. ETI in fact refers to itself as a “learning organization” [Interview with MSI representative, 2013]. The process of defining the problem, agreeing on possible approaches and developing solutions, provided the opportunity for extensive deliberation and the development of a cohesive group that, once established, permitted an ongoing forum for dialogue. In most cases, the inception phase extended over various years and involved extensive deliberation, negotiation and exploration of possible approaches. Such ongoing forums are referred to repeatedly as “safe spaces” to discuss the problem and the implementation issues encountered, on an ongoing basis.

And it was to be a safe space on the rules to talk about some of these really complex issues more than anything to learn together ... very much a learning organization but also collaborative safe space to be talking about some of these... [Interview with MSI representative, 2013]

A third point concerns MSIs' emphasis on ongoing research and experimentation, particularly the development and implementation of pilot programs. Representatives describe the necessity of addressing supply chain issues not just via monitoring, verification and certification but by examining the underlying causes of the problem. In addition to auditing programs, MSIs also engage in small scale projects and programmes in order to better understand and evaluate the impacts, costs and feasibility of implementation on a larger scale. These efforts are sometimes referred to as “research and development” (R&D). A FWF representative emphasizes both the critical nature of following this approach as well as the considerable effort that is expended on in-depth analysis on a small scale:

We are all about innovative things.... How does it work? What does it mean for a cost price of an item if living wages were paid in the factory? How could this be changed? How can brands take their responsibility to make sure that people behind sewing machines earn more or earn a decent wage? So this takes a lot of research, this takes also a lot of hard work basically to be able to pilot ways of wage distribution down a supply chain or something, you know this is sort of difficult work that needs a lot of attention on a very small scale. [Interview with MSI representative, 2013]

In recent years there has been greater emphasis on this aspect of MSI operations. So much so that some MSIs have taken to identifying this aspect as a new strategic direction for the MSI

that appears to position the initiative as one that is focused on proof of concept initiatives – ie.: developing new approaches and piloting projects on a small scale that can then be rolled out by others on a larger scale. During an online interview titled “ETI’s new approach” in 2011, ETI’s new director, describes the changes and his vision as follows:

A clear vision is one where we haven’t solved all the problems - because they’re large – but we’re having meaningful, measureable impact for workers that’s sustainable. And the real prize if you like is that the lessons learned in doing that are replicable at scale. So in the narrow area where ETI and its members work, we can have measurable impact. But the tools, the lessons, the processes that come out of that, enable our members and beyond to really change the way ethical trade is being done and start to drive real change at scale (ETI, 2011)

In a similar vein, an SAI representative suggests that the MSI is now more of a “capacity building” organization whose main challenge is demonstrating the impact of project-based approaches:

Our 3rd stage, and it is the longest stage - probably the last decade - has been capacity building and that is the central part where most of our budget goes...we are primarily a capacity building organization these days. [Interview with MSI representative, 2013]

1.3 Effectiveness through rigorous standards and local engagement

MSIs contend that labor conditions can only be effectively addressed via a combination of rigorous standards and factory monitoring. The latter often requires in-depth knowledge of conditions in factories and an ongoing commitment requiring multiple factory visits and significant engagement with local factories, unions and NGOs. They suggest that because substantive changes can only result from a high degree of the involvement, an effective approach requires considerable local engagement:

Otherwise credibility has also to do with what really happens on the ground. What you talk about initially is your governance and your mission - that gives you credibility. And after that it is what have you achieved. [Interview with MSI representative, 2014]

MSI representatives will frequently compare their approach to BLIs as a means of highlighting differences. They suggest that the approach developed and promoted by BLIs provides a “check-box”, superficial view incapable of understanding, much less addressing, the problems in the manner and at the level at which they need to be approached. When asked about the difference between an audit conducted by an MSI and one conducted by a BLI, an MSI representative provided the following detailed comparison of audits that had been done in the same Chinese factory:

I have just finished a comparison between an audit that [a BLI] did in a factory in China and an audit that happened to be 3 days later in the same factory by [my MSI]. It is really shocking if you really compare the outcome but it makes sense because the [BLI] person, they have only one Monday to spend on these audits. At [MSI] it is nine Mondays. So you are bound to find out more about a single factory. The systems behind it for us means talking also with the workers outside the factory, in their homes. It is much more elaborate and much more in depth than the [BLI] system and allows people even though they would like to find out more they don't have the time to do it because that is exactly the scale issue, so with scale you need to, it does affect quality, there is no way around it. So the trade off, there is some trade off there. [Interview with MSI representative, 2013]

2- MSI STRATEGIES (ORGANIZATION)

As this next section will show, MSIs' organizational strategies with respect to recruitment and scale shift were consistent with the above-mentioned framing strategies emphasizing democracy, innovation and rigor. Recruitment and scale shift strategies depended heavily on a combination of activist pressures, partnering with "leader" firms, identifying best practices and market mechanisms.

2.1 Mobilization via partnership with CSR leaders

The initial recruitment of corporate members for MSIs was the result of pressures from activists and governments pressuring companies to join the initiatives. As reviewed in the previous chapters, the impetus for MSI formation typically stemmed from a combination of NGO and government efforts. NGOs subsequently established partnerships with a small group of companies focused on the development of labor best practices throughout the global supply chain that would serve as an example to the rest of the industry. Some of these founding companies welcomed the opportunity to demonstrate their socially responsible practices. Other companies joined in order to mitigate the risk to their brands brought about by the negative media attention.

The arguments put forth by NGOs for companies joining an MSI concerned the benefits of membership -- foremost amongst these was the possibility for companies to establish themselves as leaders in ethical supply chain practices. The certification systems developed by MSIs were intended to provide an incentive for firm participation -- the ability for a firm to publically demonstrate their commitment to dealing with labor issues in their supply chains. This was argued to provide two benefits - allow firms to 1) reduce the risk of negative media attention and

being targeted by activist groups and 2) signal their leadership in addressing such issues to the marketplace, and thereby differentiate themselves from laggard companies that were making no efforts to rid their supply chains of sweatshops. A report by the New Economics Foundation (NEF), an NGO who co-authored the DFID-funded proposal for creating the ETI, lays out the argument for firm participation as one of competitive advantage via firm differentiation and organizational learning:

There is a positive link between social and financial performance, especially when looking at the increased relevance of intangible assets - specifically reputation, brands, and knowledge-networks - as a source of market value and competitive advantage. (Zadek, 1998)

Similarly, SAI claimed that the CSR leaders that joined its initiative would benefit from access to the quickly growing market demand for products certified as sweatshop-free by its SA8000 standard:

CEP figures it has a better enforcement mechanism: a market of millions of consumers who will insist on SA8000-approved products (Businessweek, 1997)

Yet, this business case for CSR did not seem to have the envisioned appeal. Beyond the relatively narrow group of companies that partnered with NGOs to help set up MSI initiatives, mobilization of corporate participants proved challenging even in the very early stages, when socio-political pressures were at their greatest. In some cases significant efforts were required to convince companies to partner with NGOs and co-found these initiatives. The ETI is a case in point. After several years of working group discussions and attempts at enrolling corporate partners into the embryonic ETI initiative, formed in 1998 by the NEF, the Fairtrade Foundation and the UK's DFID, NGOs and government agencies expended considerable efforts in convincing companies to respond to their efforts, resorting in 1999 to "naming and shaming" campaigns that were covered by national newspapers and industry trade publications (Cowe, 1999a; FT, 1999).

Supermarkets will face criticism from a new direction today when the Commons Select Committee on trade and industry reports on ethical trading. The MPs are expected to accuse food retailers of hiding behind technicalities instead of focusing on the issue of consumer confidence about labour standards and social conditions in producing countries. They will publish the conclusions of a report to be issued next month by the development charity, Christian Aid, which says top retailers have been dragging their feet on the move to clean up their suppliers. They were also disappointed at the attitude of retailers. One source said the stores were preoccupied with technical aspects of codes of conduct rather than consumer interests. 'Consumers are entitled to be confident that the products they are buying are not stained with the workers' blood,' he said. (Cowe, 1999b)

The other MSIs experienced similar difficulties in growing beyond their narrow base of early adopters. Prior to forming the AIP that later became the FLA, the U.S. Department of Labor (DOL) pressures apparel companies to deal with the sweatshop issue in what was described in the trade industry media as “an aggressive campaign to eradicate the use of sweatshops in the apparel industry” (Green, 1997). As part of its pressure tactics it created the “Trendsetters List”, as a way of identifying CSR leaders and shame companies that fell behind in their efforts:

For the second holiday shopping season in a row, the U.S. Labor Department has released a controversial list of department stores and clothing makers that it says are working to stop the use of sweatshops in the multibillion-dollar domestic garment industry. Federal officials hope the list of 31 companies, representing 115 apparel lines and thousands of retail stores across the country, will help consumers stay away from garments made in substandard factories... Guess? Inc., an apparel company on the list last year, has been placed on probation because the company's monitoring program is ineffective. The department will review the company again within 60 days to determine whether it goes back on the list. (Green, 1997)

2.2 Scale shift – recruitment via market mechanisms

MSIs recognize that they need to grow their numbers and scale up if they are to have an impact. For example, when SAI (then known as CEP) first set up the SA8000 standard, the hope was that this initiative could become a transnational initiative that transformed global commerce. In an interview with Businessweek when SA8000 was being developed, one of the initiative's corporate co-founders conveyed the its aspirations as follows:

The CEP effort represents a potential breakthrough not just on sweatshops, but on common labor standards for the global economy as a whole. The companies involved are responding to the public outcry against sweatshops in the U.S. and abroad. They hope the standards will reassure consumers that the goods they buy aren't made by exploited workers. If enough companies sign up, it could spur improvements in global wages and working conditions more effectively than governmental trade pacts. "There are real problems around the world with child labor, low wages, and so on," says Fitzroy Hilaire, Avon's director of supplier development. "We're trying to come up with standards" to deal with these issues. (Businessweek, 1997)

Although less ambitious for FWF, growth in numbers is recognized as a precondition for transformative change on a larger scale. As Erika Van Doorn, the Director of the FWF, stated:

Annually, we have been growing by an average of ten companies; we are aiming for 25 new members in 2009. We need to grow to have an impact. Expansion in Europe has been on the agenda for years now... (Van Doorn in Sluiter, 2009, p.240).

MSIs' scale shift strategies involved two steps - the development of best practices for dealing with supply chain labor issues, followed by the harnessing of market and institutional

forces in order to attract more members and diffuse these practices throughout the industry. Once the resultant MSI coalitions coalesced, developed new norms and business practices, and communicated these to the public, it was believed that consumer and investor demands would reinforce the continued pressure from NGOs. Together, these pressures would ensure adoption of social compliance mechanisms throughout the industry, eventually institutionalizing them as conventional business practices.

The main element of the first stage involved the development of best practices that addressed the problem “on the ground”. Exploring and developing these practices in an open and transparent manner was intended as means of sharing what had been learned with other companies as well as a means of holding companies to account by ensuring that companies felt compelled to publically demonstrate continued progress. As with the earlier mobilization efforts, there was strong reliance on pressuring companies to implement codes and report on standards in order to ensure that progress continued. The importance of external activist pressures was clearly alluded to by one of the NGO members of the FLA coalition shortly after it was formed.

Pharis Harvey, respected as director of the International Labor Rights Fund even though its union backers left when he endorsed the FLA, acknowledges that popular pressure is needed. "I want a good, healthy body of critics outside the association saying, 'You guys claim to be doing something. Show me,'" he said. "It won't work without that body of informed critics." (Moberg, 1999)

A second step involved the diffusion of best practices throughout the industry via market and institutional pressures. This consisted of harnessing existing consumer demand for ethical products as a beachhead from which to raise general consumer and investor awareness of the issues, eventually creating widespread demand for more ethical products. The viability of this approach hinged on the provision of information that would permit consumers and investors to differentiate companies that were social compliance leaders from those that were laggards when making consumption and investment decisions:

[C]onsumers in the market favour products produced by companies complying with agreed social and environmental standards. This in turn will influence the investment community. For all this to be possible requires that consumers have the information they need, and possibly reinforcing incentives, to make purchasing decisions on the basis of the ethical criteria which they choose to count. (Zadek, 1998)

Providing consumers with the information required to determine whether or not their garments had been made in a sweatshop was the foundational idea for the FLA. Agreement on this point was not a trivial matter – in fact, extensive discussions that involved the U.S.

government's Justice Department and Antitrust Division, to ensure that no collusion was taking place:

The goal will be "to provide reliable information to consumers as to whether the products they purchase are made under decent and humane working conditions," said A. Douglas Melamed, principal deputy assistant attorney general of the antitrust division. (JOC, 1996)

Various means of disseminating information were proposed and explored. Early proposals for both the ETI and FLA included the use of social labels on the garments themselves, to identify apparel garments that were certified by MSIs to conform to ethics codes (Shorrock, 1997; Zadek et al., 1998). This idea, based on the FSC's use of stamped FSC logos on wood products to designate the fact that they had been sustainably harvested, was to have a product label attached to a garment as a means of providing consumers with the means to easily recognize a product's conformance to ethical production standards and distinguish it from a garment that did not carry the label. Another was for companies to publicly divulge the list of factories where they sourced their products so that NGOs could verify the factories. Both of these approaches however proved to be contentious as companies were opposed to their adoption. It was argued that the cost to develop a social label made it unviable and that the forced disclosure of factories constituted a competitive threat to corporations as a firm's supplier list was of strategic significance and should not be shared with competitors [Interview with BLI representative, 2011].

Instead, alternative systems were developed by MSIs. Rather than social labels on the garments, SAI promoted the public disclosure of social audit results in the form of factory certificates. They suggested this was akin to the public disclosure of financial statements, and that it would lead to demand from both retail and individual consumers looking for assurances that the products they are buying conform to ethical guidelines:

We seek to enable customers -- both wholesale and retail--to include workplace quality as a criterion in purchasing. Certification is a useful way of providing information that the range of issues included in SA8000 are complied with (SAI, 2013).

Similarly, The Netherlands' former Minister of Economic Affairs and Chairman of the FWF MSI, Gerrit Ybema, described the critical importance that transparency and markets played in his MSI's approach:

The consumer must be able to make a choice. This requires that markets work properly; transparency in pricing and variety. Critical consumers must be able to get an insight in the social aspects of

services, products and production processes, in the field of sustainable and social fairness (Dutch Economic & Social Committee (SER), 2000a)

The FLA likely went the furthest in its efforts to make corporate efforts as transparent as possible. However, rather than certify factories, it began to disclose the efforts of its member companies (who used those factories) in an annual report which it made publically available. The first FLA public report on member companies' efforts to implement the FLA code of conduct was issued in 2002. It highlighted how the public reporting was intended to be used by a variety of stakeholders - consumers and shareholders wanting to make educated choices concerning labor standards as well as researchers and analysts seeking reliable information on corporate compliance efforts:

The purpose of this first Public Report is to provide information to consumers and other interested parties about participating companies' internal compliance programs and their implementation of the FLA Code. Readers can use the report to learn about some of the challenging workers rights issues presented in today's global economy, and the various standards and approaches that can be used to prevent and redress these issues in workplaces. Moreover, this information is useful for consumers, shareholders, workers and other stakeholders who are interested in assessing and supporting FLA participating companies in their efforts to achieve even higher standards of compliance. (FLA, 2002)

A similar report has been issued nearly every year since then, reiterating the basic message that the purpose of the report is to provide transparency on corporate efforts to eliminate sweatshops. The need for public transparency and the ability for customers to base purchasing decision on this information was strongly emphasized by Aurret van Heerden, the FLA's President and CEO as a cornerstone of the initiative. He emphasized this point during a popular 2010 TED talk:

Transparency is absolutely critical to this... You don't need to believe me. You shouldn't believe me. Go to the website. Look at the audit results. Ask yourself, is this company behaving in a socially responsible way? Can I buy that product without compromising my ethics? That's the way the system works. (van Heerden, 2010)

This transparency would drive the development of new norms in the form of best practices that would come to be expected by customers/buyers and investors. Companies that had not adopted the new responsible practices would be at a competitive disadvantage, effectively shut out from these new ethical markets. They would also face pressure from activist investors who would demand assurances of ethical practices as a means of reducing corporate risk. This would drive demand from investment analysts for more information regarding corporate social compliance practices. Concrete benefits will materialize to the "leaders" that are early adopters

of the new norms and practices, providing examples (demonstration effect) for “laggard” companies to emulate. The FLA’s 2005 Annual Report highlights its usefulness to “other companies seeking to learn from good practices in labor compliance”:

By providing examples of good practice, the FLA aims to raise the bar for company compliance with labor standards internationally. Companies within the FLA adopt different approaches to challenging situations, and the Public Report offers other companies the opportunity to benefit from some of these experiences. (FLA, 2005)

3. MSI STRATEGIES (OUTCOMES)

3.1 Stagnation and attempts at strategic reorganization

As MSI initiatives matured and evolved, tensions between their objectives and how these were being operationalized began to materialize and challenge MSI managers and boards. The most obvious concerned the objective to effect widespread change based on best practices that included the development of rigorous standards and an intensive approach to auditing. Some MSIs identify one of their biggest challenges as being what they refer to as a “tradeoff” between scale (being able to cover a large number of factories) and rigor of operations/audits (being effective in improving factory conditions). During an interview, an MSI representative refers to situation as an ongoing concern and as a stark contrast between choosing the “the high road” and the “lowest common denominator”:

[W]e often, internally and at the board, are struggling with...the trade-off... the numbers could be a lot bigger if SA8000 wasn’t so demanding... [W]e chose a very high level in the standard but that is an extremely rigorous standard. That is a trade-off against scale.... We chose the high road on that one. We chose credibility over scale. We chose not to do the lowest common denominator and we felt very threatened by the lowest common denominator later and we still do sometimes. [Interview with MSI representative, 2014]

Another MSI representative refers to the tradeoff as a question of quality versus quantity. The objective to develop best practices requires a focus upon quality auditing, which in turn requires doing so in smaller overall numbers in terms of factories audited:

Fairwear Foundation wanted to be the best practice verification initiative so we prefer quality above quantity. So this is very different from [BLI] - they have increased their membership base with 100% over the last few years. I mean they have grown drastically which fits their purpose but it doesn’t fit ours, it won’t fit at all ours, it would be impossible, it can’t [Interview with MSI representative, 2014]

However, the growing demands to demonstrate progress and effectiveness led to increasing pressures to demonstrate impact in quantitative terms. The FLA’s 2008 annual report attempts to

navigate and manage this growing tension by both providing specific figures that demonstrate growth in operations and scale, and simultaneously cautioning against use of numerical benchmarks as a guide to progress, suggesting that impact needs to be understood in qualitative terms:

The natural tendency would be to compare the data to assess progress, or the lack of it, quantitatively. I caution against that because audits are largely qualitative in nature and represent compliance only within the supply chains tested. I think that they correctly reflect the challenges the labor community continues to face in making a difference in the overall level of labor rights globally, but this belies the impact the FLA and its affiliates have had on the daily lives of over 4 million workers in factories subject to the FLA system over the past two years (FLA, 2008)

Faced with growing pressures to demonstrate impact on a broad scale and growing criticisms concerning the fragmented approach to auditing, MSIs attempted to unify and integrate their disparate systems. As noted in chapter 4 above, the effort came in the form of a project-based initiative, the Joint Initiative on Corporate Accountability and Workers' Rights (JO-IN for short). It included all MSIs -- SAI, FLA, ETI, FWF -- as well as the CCC and the WRC, the two most prominent campaigning groups dealing with workers' rights. The effort was clearly acknowledged as an attempt to deal with the growing scrutiny faced by MSIs. The final JO-IN report, issued in 2007, is in fact titled *Codes and Compliance Under Scrutiny* (Thorpe, 2008). An interim report on the project issued in 2006 highlights the reason for the project as being how to harmonize the various MSIs:

The six organizations in Jo-In have the same stated mission -- i.e. to assure workers rights and improve workplace conditions around the world -- and are the leading international organizations working on Code implementation issues. Yet they all take varying approaches in their efforts to bring market pressure to bear on companies' workplace practices. As a result, various questions had accumulated around them in the decade or so since these groups began, such as: What approaches can be taken to avoid duplication among the six? Should the six merge to form a mega-MSI? What can be done to address the mushrooming of different codes and audits imposed on factories? How can these groups coordinate better in order to address confusion about the six? (Lally, 2007)

The JO-IN initiative was structured according to the same principles espoused by MSIs who composed of their membership. It demonstrated a commitment to both democratic principles and the development of practical, innovative solutions based on strong local engagement. The initiative was governed by a steering committee, composed of representatives from all the participating organizations who engaged in regular conference calls and face-to-face meetings, and its objective was to develop a harmonized code and audit process and implement it as a pilot project in a number of Turkish factories.

JO-IN was supposed to be the first of many such collaborations between the MSIs (Lally, 2007). However, following the end of the project in 2007, no further collaboration took place. Although the project resulted in some progress, including increased communication amongst some initiatives, it did not meet its main objective of harmonizing the existing codes of conduct as a means of addressing the audit fatigue issue. The attempt at cross-MSI collaboration was plagued by a number of problems. The interim and final project assessments, written by the project managers, provided a detailed analysis of the impediments to successful collaboration. Some of these are similar to the issues MSIs had encountered while operating on their own – for instance, corporate recruitment problems encountered by many of the MSIs themselves also became a problem for the joint initiative:

Some have questioned why more brands did not join the project, given the common call among brands for improved coordination among different Code initiatives. (Lally, 2007)

The main problem however stemmed from difficulties in reconciling the diversity of approaches MSIs developed in implementing basic principles. As explained in chapter 5 above, MSIs were all based on international norms and were aligned regarding the basic principles of transparency, the harnessing of market forces, effectiveness through rigorous standards and pressuring buyers to take responsibility for their supply chains. However, these basic principles had been implemented in a diversity of ways by a variety of multi-stakeholder configurations composed of different constituencies. The resulting diversity proved difficult to reconcile into a harmonized approach:

Indeed, divisions among the six represent some of the greatest challenges in the project. This is in part a natural outcome of the different philosophical and political perspectives of the six... While all have formally committed to the concept of working together and learning from one another, there are varying views among the six as to how to best overcome the endemic workplace violations – both in practical and philosophical terms. As a result, compromise and a clear common vision for the project have been difficult to achieve, and, in a few cases, have not been reached. (Thorpe, 2008)

Also noteworthy is the fact that one of the MSIs' strengths -- democratic governance and inclusion, which MSIs relied on for credibility -- seems to have become a liability during the JO-IN initiative. The governance by consensus approach, described by JO-IN's project manager in the interim report as "rule by committee", proved to be an important impediment that in the end had to be sidelined in order for the project to move forward into the implementation phase:

Based on feedback from staff and other project participants, efforts have been made by the SC [Steering Committee] to diminish the impact of 'rule by committee' during the implementation stages of the project (Stages 4-5). Most notably, they have committed to reserve for project staff the role of

project management in Turkey and instead focus on policy or other higher-level decisions-making. (Thorpe, 2008)

The inability to get JO-IN off the ground dovetails with a gradual drop in interest and support from government representatives and agencies. An MSI representative describes the slow ebbing of participation and financial support:

So, we probably had four or five government observers at our board meetings in the early stages. And then slowly they started to drop out, we lost our [US]AID funding... and slowly the folks from State and Labor didn't have the support to keep coming, to keep participating. Some of them maintained an interest and still sort of popped in now and again but it faded out after I would say two years, they were pretty much hands off. [Interview, MSI representative, 2016]

4. BLI STRATEGIES (FRAMING)

4.1 Credibility through representational authority

BLIs consistently emphasize the point that they represent a large proportion of the business community involved in the commercial activities concerned. The organizational descriptions on all of their communications place considerable emphasis on the considerable breadth of influence of which they are capable – see Table 16 below. This emphasis on scale can be observed across all BLIs and at all the stages of organizational development. Scale is emphasized when the founding coalition is being assembled within the parent business association, when the BLI spin-off initiative is first developed and throughout the lifetime of the initiative.

For example, communications announcing the founding of the two first BLIs underscored the large constituencies their organizations represented. Announcing the formation of the WRAP initiative during testimony on the sweatshop issue before the U.S. Congress, the AAMA President stressed the large number of companies that are members of the AAMA and their combined economic influence:

I am Larry Martin, President of the American Apparel Manufacturers Association (AAMA). We are the central trade association for U.S. companies that produce clothing, responsible for about 85 percent of the \$100 billion worth of garments sold at wholesale in this country every year. Our members manufacture every type of garment and are located in nearly every state. We employ approximately 740,000 Americans... (U.S. Congress, 1998a)

In a similar fashion, the FTA policy document announcing the formation of the BSCI to European policymakers stresses its ability to convene a wide swath of organizations across the

whole of Europe. It positions itself as uniquely qualified to integrate all of the disparate initiatives:

In view of the wide range of corresponding private initiatives, the FTA has held talks with numerous European trade associations and companies aimed at combining these existing actions to form a pan-European system. This represents a particular challenge, which the FTA has taken up and which it is resolutely following through. The FTA's venture is widely approved of by trading companies and associations. (FTA, 2003)

Table 16 - BLI emphasis on scale

Initiative	Self-description	Claims regarding scale of operations
WRAP (Worldwide Responsible Accredited Production, Washington)	World's largest labor and environmental certification program for labor-intensive consumer products manufacturing and processing	Supported by 36 national associations and over 150,000 individual companies
BSCI (Business Social Compliance Initiative, Brussels);	BSCI unites hundreds of companies around one common Code of Conduct	700 retailers, brands and importers
Sedex (Supplier Ethical Data Exchange, London);	Largest collaborative platform for sharing and viewing information labour standards, health and safety, the environment and business practices	25,000 members (buyers and suppliers)
Fair Factories Clearinghouse (FFC, New York)	To drive industry-wide collaboration, companies need an organization that is multi-party, market-wide, standards-neutral, mission-oriented, relationship enabling and not bottom-line vested. This is the role the FFC plays.	30,000 factories in 142 countries; more than 70,000 audits used by 6,000 buyers
GSCP (Global Social Compliance Programme, Paris)	The CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries. Our member companies have combined sales of EUR 2.5 trillion... directly employ nearly 10 million people with a further 90 million related jobs	The largest buying companies throughout global consumer goods industries

Sources: BLI organizational documentation and websites

More recently, the GSCP launched by the CGF emphasizes its considerable breadth in terms of number of companies, countries of operation, product categories, sales figures and employment generation:

The Consumer Goods Forum is a global, parity-based industry network that is driven by our members. We bring together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and we reflect the diversity of the industry in geography, size, product category and format. Our member companies have combined sales of EUR 2.5 trillion. Our retailer and manufacturer members directly employ nearly 10 million people with a further 90 million related jobs estimated along the value chain. (CGF, 2013b)

The emphasis on scale is perceived by both the media and MSIs as being the defining characteristic on which BLIs base their credibility. Shortly following the GSCP launch, an article in the *Financial Times* emphasized the scale of the initiative as the most important factor determining its success:

Even without full support of independent ‘stakeholders’, the [combined] purchasing power of the participants will exert considerable influence over the field. ‘They are so huge that people are going to be drawn in’, said one labour rights activist. (Birchall & Rigby, 2007)

An industry trade publication similarly points to the significance of the GSCP coalition’s founders being the world’s largest retailers:

[I]t’s the five members of ‘Mega Retail,’ in the form of Wal-Mart, Carrefour, Tesco and Metro, together with Switzerland’s slightly less gargantuan Migros, who are putting together the Global Social Compliance Programme as a buyers’ common code... This sometimes leaves apparel manufacturers unexcited, until I explain these four retailers alone have higher apparel sales than the entire US department store industry, or than the members of the Fair Labor Association. (Just-Style, 2007a)

MSIs also acknowledge the scale at which BLIs operate as being their main claim to credibility – both in terms of member size and quantity of members:

Well it is interesting I could look at it from a couple of different perspectives one is some people judge credibility by scale so one of the things people look at is well how many companies are you working with or how many companies are your members and how big are they and how many factories are they rolling it out to and how many workers? And so those are things we can count so we do track those and so that is a criteria for credibility. So you look at GSCP for instance and GSCP sort of catapulted into getting certain amount of credibility not with the campaigners but with many others just because they had a lot of the really big companies around the table and they have grown very fast. BSCI has a certain recognition just on the basis they have recognition for other reasons but part of it is they have so many companies signed up [Interview with MSI representative, 2013]

4.2. Progress through management systems

A second main element of BLIs’ framing strategies is the emphasis they place on their non-political nature and on how they address the problem from a management systems approach. Although some BLIs do refer to their “stakeholder orientation” or “stakeholder engagement”, this does not appear to be their main orientation but rather a complementary claim. They do not claim to be multi-stakeholder initiatives. In fact, in most cases they prominently state that they are business-driven and involve civil society organizations for consultation purposes only.

This “business-driven” identity is used to signal the initiative’s pragmatic approach to other companies and potential members. It is sometimes contrasted to MSIs’ slower, more

political processes. The juxtaposition to MSIs in this manner is the foundational story of the WRAP initiative:

The AAMA faced a choice, do nothing or join the highly politicized Apparel Industry Partnership. Under the leadership of AAMA president Larry Martin, the Board chose a third path, develop a new program that could help ensure sweatshop conditions are identified and eliminated in the global apparel industry and do so in a way that focused less on politics and agendas and more on results. (WRAP, no date)

WRAP was noticeably successful in communicating this message in the media. The founding of WRAP was described as follows in a prominent industry trade journal:

Martin said the AAMA decided to go it alone because association members wanted their own program. He said the association rejected signing on to the White House task force [AIP which later became the FLA] for several reasons, including the length of time it's taken for the panel to reach a consensus. "The only thing they've done is publish a code of conduct, and that was two years ago. They aren't in a position to put a program in place." (WWD, 1998)

The term *business-driven*, or some variation of it, is used repeatedly in BLI communications by both the BLIs themselves and by their founding members:

BSCI is a business-driven initiative for companies committed to improving working conditions in the global supply chain. (BSCI, 2013a)

The Global Social Compliance Program (GSCP) is a business-driven program created to promote the continuous improvement of working and environmental conditions in global supply chains. The GSCP was created by five leading companies, including Wal-Mart, and is now made up of 39 brands and retailers. (Wal-mart, 2014b)

As such, BLIs go to great lengths to ensure that the contentious aspects of standard development are minimized and replaced as much as possible by what was referred to as one interview participant as "evidence-based management" [Interview with BLI representative, 2011]. Descriptions of BLI processes convey a strong sense of neutrality and technocratic decision-making. Their approaches are described as "professional", "best-practice driven", "data-driven", "solution-focused", "scientific", etc. and descriptions of their missions and objectives refer to the resources, knowledge and technology they deploy.

Technology enables cost-effective, well-informed ethical business transactions and continuous improvements in global workplaces. ... We use the information to advance knowledge about workplace conditions and the steps companies are taking to address them. (FFC, 2013a).

There is also considerable emphasis placed on the notion that their initiatives draw on the established expertise of numerous professionals from a variety of organizations:

[E]xperts from various sectors and affiliations, including major retail companies, brand manufacturers, international organisations, academia and government, have joined forces within the GSCP framework

to deliver a harmonised, global approach for more efficient and sustainable supply chains. (GSCP, 2013a)

BLIs are also careful about clearly articulating a “value proposition” to both buyers and factories. A point that comes up frequently in interviews and in the practitioner literature on some of the challenges concerning firm adoption of supply chain codes of conduct and ethical standards concerns the complexity of offerings, the quickly-escalating costs and the lack of internal corporate resources for implementation. These challenges are compounded for smaller organizations. BLIs address these challenges by tailoring their communications to these specific points. They accentuate the business-friendly nature of their initiatives in a variety of ways. These include the ease of implementation, guidance and support provided and the cost efficiency of their service offerings. WRAP emphasizes its simple and cost-efficient approach:

The world may be getting smaller, but apparel supply chains continue to grow across borders and span a wide range of local customs, legal systems, economic systems, and national traditions. Monitoring a global supply chain for integrity requires significant commitments of resources including time, money, and even people. WRAP can help maintain your supply chain's integrity in an efficient and cost-effective way (WRAP, 2013a)

BSCI and GSCP emphasize how they facilitate the adoption of ethical supply chain practices by providing considerable support, guidance and tools:

BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts to build an ethical supply chain by providing them with a step-by-step development-oriented system, applicable to all sectors and all sourcing countries.... BSCI supports companies by providing them with a range of interlinked activities and tools (BSCI, 2013a)

4.3. Effectiveness through harmonization

BLIs generally refrain from directly criticizing individual MSIs, choosing instead to problematize the fragmented certification model and characterize it as inefficient and ineffective. They further suggest that opposition to the MSI approach is increasingly voiced by governments and by the manufacturers themselves. Their emphasis is on the concept of “audit fatigue” which relates to the duplication of audits resulting from multiple and overlapping certification systems and the limited number of factories and workers covered by MSI initiatives. They argue that the approach is not sustainable as it concentrates audit resources on a small number of factories and excludes the vast majority of manufacturing operations. Some factories are audited multiple times, each time according to a different set of standards or code of conduct, and spend

considerable time dealing with conflicting audit requirements, while other factories are never audited and remain beyond the reach of the certification system.

In an interview with a prominent CSR publication, GSCP's Wal-Mart representative, a founding member of the organization, refers to the fragmentation of the field as unacceptable and positions GSCP and the solution for the problem:

Mr. Kamalanathan calls the problem of auditing duplication 'crazy', and he believes that the way to get beyond it is through credible reference standards....Eliminating the need to unnecessarily conduct audits is a top priority for GSCP. In addition to creating 'audit fatigue' and widespread confusion, excessive audits add cost. (CSRwire, 2009)

Terry Babbs, the group ethical trading director at Tesco (who is also a Sedex Board Director and the GSCP Chairman of the Board) criticizes the current system for extensive levels of "audit duplication" that impede factory managers from addressing the problem:

You don't need to read the latest shocking story about child labour to realise how important it is to police the supply chain. But 43 audits in one year? That is the number that one manufacturer claims he has been subjected to – and it isn't unusually high, says Terry Babbs, group ethical trading director at Tesco. Indeed, there are so many that factory managers are struggling to manage anything else – least of all the problems the audits highlight. Perhaps not for much longer, though. Behind closed doors, some of the world's top retailers and suppliers have been collaborating on an ambitious programme to harmonise labour standards, reduce the level of audit duplication and improve working conditions. (The Grocer, 2009)

In a different interview, the same Tesco/ Sedex/ GSCP representative, clearly identifies the ideal situation as being the existence of a single code:

Terry Babbs, Tesco's international trading law and technical director, says... [t]here is a bewildering variety of different ethical codes covering labour practices, environmental sustainability, human rights and so forth. Tesco, along with some other big retailers, has tried to bring them all together through initiatives like the Global Social Compliance Programme and the Supplier Ethical Data Exchange (Sedex)... "There is plenty of room for confusion and duplication, which is why Tesco has put so much effort into initiatives like GSCP and Sedex," Mr Babbs says. "There are more than a thousand labour codes in existence, and it would help greatly if there was a single code." (Beattie, 2009)

BLIs position their organizations as solutions to the duplication and audit fatigue problem, referring to their approaches as comprehensive, harmonized approaches that simplify the approach and provide a substantially broader coverage of factory operations. For that reason, BLIs suggest that progress in addressing the issue has to be approached from a systemic perspective where the bar is raised for the largest possible number of factories simultaneously. This is positioned as a counter-framing to MSIs' definition of impact. Whereas for MSIs, impact is about the degree to which a factory is transformed, BLIs suggest that impact is about the number of factories that have been certified.

In our organization and again to our stakeholders certainly to me the defining metric is impact, how many factories do we have at the program? How many workers are in WRAP certified facilities? So on our website prominent right upfront on our home page is a little world map and one of the first things you see up there you know there are currently this many WRAP factories worldwide and they employ this many people. So those are key metrics for us, how many factories have we touched? [Interview with BLI representative, 2014]

The framing of the BLI approach is often juxtaposed with the MSI model of change and impact. They suggest MSIs' approach to be a narrow approach that produces a few "model" factories but disregards the vast majority of facilities, resulting in benefits for only a few. Instead, BLI representatives suggest that the emphasis should be on the *breadth* of change - a broad approach that establishes the minimum standards to which factories must adhere and then raises the standards in the largest number of factories to this pre-set minimum level.

So we aren't saying that these are the best factories in the world, we are just saying that we want to make sure that these minimum standards are met. What is that? ... we are making sure that the really bad guys don't get to play. But we aren't by ourselves making all these factories become the absolute best in the world - what we are saying is these are all meeting these minimum standards... making sure at least that we have that floor below which we don't fall. Can we improve above that floor? Absolutely ...more importantly what is better for the planet as a whole? To have a handful of really good factories or to make sure that the vast majority of factories are at least good enough? And I vote for the last because that has a much larger impact sure the first one might have some really beautiful cases but there is only a handful of that. Rather than I don't know what the analogy here is we keep talking about economics you know they term it a lot of paradox you know rather than concentrating on finding diamonds for a few I would rather make sure everyone has water. [Interview with BLI representative, 2014]

5. BLI STRATEGIES (ORGANIZATION)

5.1. Mobilization by leveraging existing resources

Each of the BLIs was founded by a coalition of companies whose cooperation was facilitated by an already established business association, which can be considered to be a "parent organization" (see Table 17 below). The mobilization process generally begins when an issue is identified by a core group of members and suggested as a point of action. Mobilization involved getting a subset of members within the existing business organization interested in collaborating on an initiative and subsequently incubating a separate organization. Resources contributed by the business association are then invested in developing a solution.

The initial BLIs were developed within what might be referred to as "parent organizations" – the AAFA developed WRAP and the FTA developed BSCI (see table VII below).

Table 17 - BLIs and the business associations that launched them

Initiative	Founders / Parent Organization
WRAP (Worldwide Responsible Accredited Production, Washington)	American Apparel & Footwear Association (AAFA)
BSCI (Business Social Compliance Initiative, Brussels);	The Foreign Trade Association (FTA) a pan-European business association, itself composed of two other national federations: (AVE – the foreign trade association of the German retail trade) and the French FCD (Federation of Trade and Distribution Companies)
Sedex (Supplier Ethical Data Exchange, London);	Marks & Spencer, Tesco, Wal-Mart, Carrefour and Metro (the world's largest retailers)
Fair Factories Clearinghouse (FFC, New York)	Reebok, U.S. National Retail Federation, Retail Council of Canada, and World Monitors Inc.
GSCP (Global Social Compliance Programme, Paris)	Consumer Goods Forum (CGF), a global network of 400 retailers and manufacturers that produce consumer goods

Both the AAFA and the FTA, invested considerable resources early on to mobilize their existing networks, to sensitize them and get them involved in the initiative. This process is greatly facilitated by the fact that the founding companies are members of an association and do so within the existing organizational frameworks and networks. The AAMA President described the impetus for the effort as follows:

[A] number of our members asked AAMA to facilitate the creation of a meaningful and comprehensive program to address workplace conditions in the U.S. and around the world. These companies were dissatisfied with the scope and pace of existing initiatives and felt the time had come for apparel manufacturers to play a leadership role. An AAMA task force was formed to address the issue. The task force retained the services of three consulting companies who are among the best in their field: The PricewaterhouseCoopers accounting firm, the Sandler & Travis Trade Advisory Services customs consulting firm, and the Clark & Weinstock public policy consulting firm. (U.S. Congress, 1998a)

Similarly, a BSCI representative describes the initial efforts by the FTA in mobilizing companies and business associations across Europe to participate in the effort, intended from its inception to be an integrative, pan-European project:

Since July 2002, the FTA has been organising 'European Business Workshops on Social Standards' in Brussels, the aim of which is to work out the elements for a European model for monitoring social standards in order to create synergies. During the third workshop held at the end of March 2003, the basis for such a model was discussed and this is now going through the voting process. The individual elements of this system are to be discussed over the coming months. Alongside this, the FTA is continuing to hold consultations with associations and companies. [FTA policy paper 2003]

In the formation stage, BLIs develop quickly and increase their credibility by learning from previous MSI efforts and adapting some of the tools and approaches they have developed. This

involved observing how to deal with some of the main challenges, borrowing best practices and adapting codes developed by an MSI. The AAMA President stated this explicitly during his testimony before congress:

We are aware that there are other codes of conduct developed by other organizations. We congratulate each of them for their well-meaning work and their dedication to a worthy cause. Indeed, in some cases we have drawn from their experience. [Larry Martin, President AAMA (Sep 28, 1998)]

The BSCI BLI partnered with SAI early on, in order to adopt an adapted version of the SA8000 system developed by SAI.

In order to have a stakeholder relation at a very strategic level we decided to partner with the SAI at the very beginning. So with SAI we have a very long standing partnership... We consulted with SAI on the things we did, we promoted SA8000 as best practice, we recognize SA8000 certificate and the auditors performing the BSCI audits need to be SAI accredited companies and to be SAAS accredited companies. So this partnership has always created a certain stakeholder link from the very beginning which is very important to us and is very important for us also until today [Interview with BLI representative, 2012]

An SAI Board Member refers to this as a critical move to establishing BSCI's credibility early on:

To link BSCI with Social Accountability International SAI and its SA8000 Social Standard was an important decision by the European brands and retailers. That gave credibility to the BSCI code and work, SAI being a respected multistakeholder organisation with its widely recognised and renowned SA8000 Social Standard. (Furstenborg, 2013)

5.2. Scale shift by recruiting from supply chains

Subsequently, once a core group of members have been mobilized and a new regulatory program have been devised, members of the BLI coalitions use their leverage within the supply chain to encourage other companies in their supply chains to join, thereby quickly achieving large numbers. This typically involves having buyers asking their suppliers to join the BLI (in the case of BSCI) or use their auditing services (in the case of WRAP). In the case of BSCI, member recruitment was a priority during its early period. In its review of its first 10 years of operations, it refers to its recruitment efforts as highly successful – so much so that “active recruitment” is now considered “obsolete”:

In its first five years of existence, the business initiative practised an active participant acquisition policy. However, the high influx of new participants – currently growing at a rate of more than 20 companies per month – has made the BSCI one of the largest initiatives in the field and, therefore, active acquisition efforts obsolete. (Hofstetter & Mueller, 2013)

BSCI's successful recruitment is largely attributed to their "recruitment formula", described by a BSCI representative as the means by which to build to quickly grow the membership base and build credibility for the initiative. The basic approach involved establishing the requirements to get their suppliers to join the initiative as a membership criterion for buyers and retailers. This resulted in a large influx of members which allowed them to grow their numbers considerably over a relatively short amount of time. The approach is described as follows during an interview with a BSCI representative:

[S]ome of our retail member companies also asked their importers to join BSCI... and that was a key reason for this huge influx of members as of 2008.... So, we also said okay let's do that and let's make this also part of the so called "commitment formula" because BSCI members have to commit to involve to two thirds of their suppliers in defined risk countries in the process also with certain results after certain point of time and that formula was created quite a couple of years back in order to create credibility but particularly also to avoid free riding. [Interview with BLI representative, 2012]

WRAP adopted a similar recruitment stance, although it was tailored to its model of auditing factories without an active buyer membership base. Its approach was described in an interview as a "pull and push" recruitment strategy by a WRAP representative. The "pull" component involves buyers and retailers asking their suppliers to adopt WRAP factory certification:

The reason a factory is going to want to get WRAP certified 99% of the time is going to be because their buyers are asking them to do so... We try to seek out new buyers to endorse WRAP as well as continuing having conversations with those that do in order to keep them in the program and that will result in them then telling the factories they work with to go see the WRAP program so that basically will help us pull through factories into our program. [Interview with BLI representative, 2014]

In addition, WRAP also engages in a "push" recruitment strategy. This involves encouraging factories to become WRAP certified by promoting the benefits of certification to factory associations and at trade shows, being able to reach hundreds of factories at once:

And the 2nd prong to this is more a push approach which is we are doing a lot on the ground talking to factories and we do this again through sometimes factory associations, other times through other kinds of seminars, sourcing shows, events that factories are at, where we talk directly to the factories explain to them the importance of getting themselves certified and having them understand both from a truly business perspective that you really do need to be able to show your buyers you are a responsible factory and thereby position yourself to be able to compete for their business... [Factory associations span in size] from a few hundred members to maybe even lots of hundred members in some cases to literally thousands depending on again the country or culture of the association. [Interview with BLI representative, 2014]

BLI STRATEGIES (OUTCOMES)

6.1 Consolidation via apex-positioning

BLIs were all created with the objective of creating a single audit and compliance solution for the industry. Both WRAP and BSCI were the first two attempts to organize various fragmented initiatives into a coherent, organized structure. Both of these efforts focused considerable energies and resources on establishing the framework for private regulation. WRAP's focus was on shifting from "buyer responsibility" for supply chain issues being developed by the FLA in the late 1990s to a "factory responsibility" approach and framework. Similarly, the BSCI was an effort to integrate existing initiative across Europe into a unified framework. BSCI's 10 year anniversary report and assessment refers to the founding firms as "engineers":

The founding firms are highly motivated and knowledgeable in improving the state of social compliance in global supply chains. The latest generation of participants – largely characterised by importers and traders – is in general less experienced and acts more as user than as engineer of the initiative. (Hofstetter & Mueller, 2013)

The three most recent BLIs – FFC, Sedex and GSCP – have taken this objective of creating overarching frameworks one step further. The three organizations have been created in order to establish an overarching framework for the integration of the already-existing initiatives. These entail the sharing of information from completed audits via information clearinghouses, benchmarks and equivalence processes. The three organizations have approached these objectives in different ways – FFC has focused on adapting Reebok's in-house human rights audit tracking system into a global clearinghouse for audits. Members can access the audit results performed by other members and uploaded to the database and examine the results based on the chosen criteria. Sedex has developed a similar database-driven system, but has also developed a "benchmark code of conduct" referred to as the SMETA (the Sedex Members Ethical Trade Audit), which is based on the ETI code of conduct.

The GSCP for its part does not provide a database but has created a process by which the different codes of conduct and audit approaches can be harmonized by means of comparison to a "reference code". It has invited organizations to go through the "equivalency process" and to be considered as GSCP partners – these equivalency exercises began with the WRAP and BSCI BLIs and then expanded to include the FLA and SAI MSIs. The ICTI Care (International

Council of Toy Industries), a BLI from the toy industry, has also completed the equivalency process (GSCP, 2015b).

While these initiatives explicitly state that their intention is not to replace existing codes, the benchmark codes they have created create an implicit point of reference that will gradually drive convergence and serve as the defacto code. The result of this process is the commodification of the audit codes and methodology – these initiatives are premised on the idea that factory audit results can be shared and accepted by companies regardless which program is underlying the audit. This suggests that audit results are interchangeable and the objective of these initiatives is to make them increasingly interchangeable by smoothing out their differences. This will result in the decision for auditors to be based on price [Interview with BLI representative, 2014; Interview with NGO representative, 2014](Furstenborg, 2013).

In addition to establishing overarching frameworks that allow them to bridge and gradually unify the existing regulatory initiatives, BLIs have also actively sought out and established partnerships with intergovernmental organizations (IGOs). The objective of these partnerships has been to jointly promote and establish the desirability of harmonized approaches and facilitate the adoption of its integrated solutions by positioning themselves at the apex of supply chain private regulatory efforts.

This approach can be observed in FTA/BSCI's early engagement with a number of pan-European initiatives such as the European Alliance for Corporate Social Responsibility in an effort to build consensus across European countries (Gardner, 2006). It is also apparent in the FTA/BSCI and Sedex's active engagement with the UN Global Compact. For example, Sedex has an ongoing promotional partnership with the Global Compact's UK branch that involves co-sponsorship of an annual conference and a series of instructional webinars and similar activities, all geared towards explaining the benefits of Sedex membership (Sedex, 2014).

GSCP has gone furthest in this respect, fostering close working relationships with various UN agencies and other intergovernmental groups in what it describes as an effort to establish itself as a "facilitator between governments and corporations in order to protect human rights on a global scale" (CGF, 2015b). One such effort includes its partnership with the UN Industrial Development Organization (UNIDO) to establish a CSR capacity-building program for developing country SMEs that is based on its reference tools (UNIDO & GSCP, 2013).

UNIDO's core CSR tool is called Responsible Entrepreneurs Achievement Programme (REAP) - a CSR-based management and reporting tool, developed by UNIDO to assist SMEs in their efforts to

implement responsible management approaches and operation methods in line with internationally required standards and norms. In this context, UNIDO also initiated a strategic partnership with the Global Social Compliance Programme (GSCP), which was created by and for global buying companies wanting to deliver a shared, global and sustainable approach towards improving the social and environmental sustainability of their often-shared supply base. As this requires guidelines, tools and training to implement compliant management practices at suppliers' sites, GSCP partners with UNIDO to align REAP with the GSCP Reference Tools ("REAP+"). (UNIDO, 2013)

GSCP has also established a partnership with the UN/WTO's International Trade Centre (ITC) to develop "Quick Scan", an open-source standards comparison tool that allows buyers and suppliers to compare the 500+ standards currently being tracked in the ITC standards database to the GSCP reference code (GSCP, 2013c). This free tool is intended as a first step towards what it refers to as a "Deep Scan" in which the participating company would then participate in the GSCP equivalence process, comparing the standard or code it has adopted to the GSCP reference code, described as "best corporate practice" (GSCP, 2015c).

In recent years GSCP has signaled its interest in further collaborating with the UN by holding its annual meeting at the UN headquarters in New York (GSCP, 2014). Similarly, it has established strong ties to the Group of Seven (G7), the informal group of industrialized countries that meets on an annual basis⁹ (CGF, 2015b). A recent press release by the Consumer Goods Forum describes how it approached the German Chancellor, Angela Merkel, current head of the G7, to suggest a partnership based on its GSCP initiative:

Ahead of the 2015 G7 summit, the two CGF Co-Chairs [Dick Boer, CEO of Royal Ahold, a global retailer, and Paul Bulcke, CEO of Nestlé] wrote to Angela Merkel, Chancellor of Germany expressing the willingness of the consumer goods industry to collaborate with global governments on the topic of social sustainability, and as a key partner for sustainable change. They highlighted the work that the CGF and its initiative, the GSCP, has already carried out in promoting responsible business conduct and the harmonisation of retail and supply chain standards, and demonstrated the industry's wish to put this work at the service of institutions. (GSCP, 2015a)

In a letter responding to the CGF, the German government responds favorably to the offer to form a partnership to address global supply chain issues, recognizing the benefits of harmonization and CGF/GSCP's role as a partner in achieving that goal:

Global industrial organizations such as the Consumer Goods Forum (CGF) are in a unique position to support the G7 process in raising sustainability standards in global supply chains. Your experience in aligning voluntary standards for continuous improvement of working and environmental conditions in global supply chains is fundamental to this process. Also, the CGF tools and processes for implementation of best existing industry practices are deemed important reference frameworks for the operationalization of G7 commitments at supplier level... The German government looks forward to

⁹ The G7 is an informal bloc of industrialized democracies -- the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom -- that meets annually to discuss issues such as global economic governance, international security, and energy policy.

continue this dialogue and work with the CGF and your members on our common goal of making global supply chains sustainable. (German Federal Ministry for Economic Cooperation and Development, 2015)

CHAPTER 7: A SUMMARY OF FINDINGS, CONTRIBUTIONS, LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

INTRODUCTION

The motivation for this research project was to understand the organizational and strategic drivers of transnational private regulatory proliferation. To date, the bulk of research on private regulation has focused on understanding how activist tactics engender firm-NGO partnerships in the form of MSIs and how these specific cross-sector initiatives produce regulatory consolidation. The empirical landscape is, however, characterized by a considerable amount of firm-NGO contention and private regulatory proliferation. Some companies have resisted partnering with NGOs and forming MSIs, choosing instead to partner with other companies in order to form BLIs. In many cases, these BLIs have become dominant in the industries in which they are active. Our limited understanding of this important phenomenon has led to numerous calls for research that captures these inter-organizational dynamics.

The few studies that do examine transnational private regulatory proliferation have suggested that firm responses differ across both populations of firms and over time. In many industries, this variation across firms and time seems to have followed a movement-counter-movement pattern (Bartley, 2007; Fransen, 2011b) which has largely remained unexamined. This thesis has drawn on the research examining firms' strategic responses to socio-political pressures as adopting social-movement-like strategies. This final chapter summarizes the findings from this thesis as well as its contributions to both theory and practice.

This chapter is organized as follows: For each of the research questions, it provides a summary of the findings followed by an overview of theoretical contributions. It then discusses the limitations of the study, the generalizability of the findings to other industries and contexts, and implications for future research. The chapter ends with a discussion of contributions to practice and policy.

QUESTION 1: WHY DO FIRMS ADOPT DIFFERENT COALITIONAL STRATEGIES IN RESPONSE TO SIMILAR SOCIO-POLITICAL PRESSURES?

One of the objectives of this study is to understand why firms adopt diverse coalitional strategies in response to similar socio-political pressures, specifically why some firms collaborate with NGOs and form MSIs, while other firms partner with other firms and form BLIs. As such, the focus is on the antecedents of private regulation, an aspect that despite being critical to understanding non-state regulatory proliferation, has remained largely unexamined.

Chapters 4 and 5 of this thesis contribute to our understanding by providing an overview of the events and context in which private regulation was being developed and then zeroing in on the founding coalitions, outlining how founding firms' strategies and risk profiles drove their regulatory coalition strategies. It reveals the extent to which global retailers have been a driving force behind the BLI countermovement, why this is the case, and why they have been able to do so. The results of the analysis integrate and expand current theory on MSIs and explain why some companies are more amenable than others to such partnerships.

Summary of findings

Findings show that MSIs were co-founded by brand companies and some retailers (mostly national and specialty retailers) in collaboration with NGOs, government representatives and in some instances, trade unions. At the core of these cross-sector partnership configurations were newly-formed networks that had been active in the U.S. east coast, principally New York and Washington, and Northwestern Europe, primarily London and Amsterdam. This local grounding produced considerable variation amongst initiatives. Differences included constituency composition (whether trade unions were included or not, and the representation of companies vis-à-vis other groups); the allocation of responsibility along the supply chain (whether factories or buyers were responsible for code implementation and auditing); and the salience of key aspects of labor issues (whether the emphasis was placed on human rights, labor rights, or child labor) and the emphasis placed on the provision of a living wage and support for freedom of association. Despite these differences, the principles on which MSIs were founded - inclusive, transparent and responsive governance - set them apart from BLI forms of non-state governance.

The companies that founded MSIs had a number of things in common. Their market strategies were heavily dependent on their brands and suffered disproportionately from being associated with the sweatshop production issue because of three factors: 1) their market strategies targeted mid to high end customers by differentiating their brands through notions of quality, heritage or “commerce with a conscience”; 2) their brands were highly exposed to the sweatshop problem because their target markets were concerned with the issue and considered it in their purchasing decisions; 3) they were highly dependent on a concentrated market for their revenue. The business model for these companies is one where a high profit margin is obtained on a relatively narrow product range. For example, Nike is focused on the athletic apparel and footwear segments which comprise a few hundred products. Students are the main target market for their products, a demographic segment that happens to be highly sensitive to sweatshop issues. As a result, for these companies, being associated with sweatshop labor entailed considerable reputational risks that posed serious threats to their business. For this reason, when activist campaigns placed them in the media spotlight for a sustained period of time, reputational damage ensued. For the most part, brand product companies responded to socio-political pressures by protecting their brands and utilizing MSIs as a differentiating factor that would allow them to demonstrate their leadership in the fight against sweatshops.

Despite facing the same socio-political pressures to address labor issues in their supply chains, global retailers reacted in a markedly different way to brands and specialized retailers. Rather than collaborating with NGOs in the formation of MSIs, they created BLIs together with the business associations of which they were members or with whom they collaborated. Perhaps one of the most surprising findings is that the common link behind nearly all the initiatives has been the instrumental role played by a small number of global retailers and business associations.

The analysis reveals that a number of factors related to these global retailers’ market strategies led to differences in their exposure, perception and response to reputational, operational and trade policy risks arising from activist and government pressures. Their core business consists of the efficient management of a vast network of supply chains that span all product segments, and where products number in the hundreds of thousands. Profits are generated from very low margins on these colossal volumes and profit growth is dependent on continually increasing sales volumes and supply chain efficiencies. Moreover, global retailers’ customer bases differ considerably from brand and specialized retailers, in terms of

demographics and expectations from the company. While brand customers tend to be more concerned with the sweatshop issue, global retail customers are likely to overlook social and environmental issues and base their purchasing decision exclusively or almost entirely on price. As a result, while socio-political pressure from NGOs and governments was high for both product brands and retailers, global retailers' brands and reputations were less sensitive to sweatshop labor issues and comparatively more insulated and resistant to such pressures.

They were however more exposed to, and therefore more concerned with, other types of risk, namely supply chain operations and trade policy risks. These included the possible inclusion of social provisions in trade agreements, new government regulations as well as the cost and complexity of the private regulatory system MSIs were developing. The trade liberalization that took place in the 1990s fueled these retailers' low cost strategies in two ways - by providing easier access to lower cost materials and production, and by facilitating their expansion into other countries, thereby growing their volumes and scale of operations. As a result, they became ever-more dependent on sourcing from the lowest cost producers. For this reason, proposed public regulations and private regulations developed by MSIs, were both viewed as trade barriers and an increase in regulatory complexity that were anathema to global retailers' market strategies.

MSI schemes were regarded by global retailers as a worrisome proliferation of private regulations resulting in an onerous and costly system that created an additional regulatory layer, which in the case of the U.S., would be superimposed on the new customs reporting requirements concerning drug smuggling and terrorism. Moreover, on the whole, MSIs were more focused on the apparel industry, which, to global retailers, was just one of numerous consumer goods supply chains – more important from a sales share perspective were groceries, electronics and household goods. As such, private regulatory proliferation in the apparel industry was over and above the private regulation that was also being developed in other industries. Lastly, MSIs promoted collaboration with labor unions and NGOs, groups that many of these companies had avoided even when operating on a purely national level. Expecting them to engage in the promotion of free labor association and a living wage went against their strategic business practices and the reason they lobbied so strongly for free trade agreements and trade harmonization in the first place. As such, collaboration with NGOs within an MSI was not viewed as an opportunity to safeguard their brands but rather as a threat to their business models.

This led global retailers to pursue alternative approaches that afforded them control over standards development and a focus upon harmonization, consolidation and cost control across multiple industries.

Global retailers had developed or collaborated with trade associations that were actively involved in trade and regulatory issues, particularly in the promotion of trade liberalization and the harmonization of trade rules. These business associations were tasked with dealing with policy issues and serving as the mouthpiece for industry level issues. When the sweatshop issue surfaced, trade associations served as a mouthpiece for their members' initiatives, providing further reputational cover. They also became a natural venue and mechanism for member discussions on how to deal with what they viewed as an industry-level policy issue to be integrated into the existing policy strategy regarding trade issues.

Contributions

Contributions to the stakeholder politics literature

These findings contribute to our understanding of firm reactions to stakeholder pressures. Current research suggests that firms will collaborate with NGOs when they are subjected to sufficient reputational pressures and that NGOs have successfully pressured multinational companies into partnerships that have developed new social norms for global supply chains, including expectations regarding full producer responsibility of its suppliers (Conroy, 2007; Schrempf-Stirling & Palazzo, 2016). It further suggests that once MSIs are established, they provide activist NGOs with additional leverage in their efforts to pressure companies (Turcotte et al., 2007; Yaziji & Doh, 2009).

The findings of this thesis highlight the fact that NGO efforts are not always successful and that some MNEs will resist or counter NGO pressures. A specific contribution made by this thesis lies in its examination of what drives firms' decisions to either collaborate with NGOs and form MSIs, or eschew NGO collaboration and form BLIs. It suggests that too much emphasis has been placed upon reputational dynamics and social movement pressures and that firm reactions to socio-political pressures have generally been studied and understood in isolation from firms' market strategies and structure of the industry or industries in which they operate (of which the supply chain structure is a key element). Understanding the diversity of firm reactions

requires embedding the reputational risk posed by activists within the broader commercial and institutional context. Reputational and brand risk is closely coupled to market strategy and represents one type of risk amongst many. The types of market-based certification approaches advocated by MSIs are premised on consumer demand for ethical products. If demand does not materialize, or is not an important customer segment for the targeting company, then the leverage over the company is minimal or non-existent. Moreover, firms may already be part of one or several trade associations that are tasked with dealing with such risks as part of their mandate to deal with industry-wide socio-political issues and as such may view NGO efforts as encroaching on their policy domain.

The fact that companies have resisted and counteracted activist pressures to join MSIs can be viewed as a failure for NGOs. Seen from this vantage point, these findings have important implications for the current thinking on NGO tactics and corporate opportunity structures. This literature has identified a number of factors that increase the likelihood of activists successfully targeting companies (meaning that a firm will respond positively to NGO demands). These include firm attributes such as negative media publicity (McDonnell et al., 2015), recent declines in reputation and financial performance (B. King, 2008), previous collaborations with NGOs (den Hond et al., 2015) and CEO ideology (Briscoe et al., 2014). Briscoe et al (2015). It has recently hypothesized that companies are more likely to support NGO demands when they do not interfere with business interests or ideologies, a hypothesis that has been put forward by theorists in other fields as well (Bartley, 2007; Fransen & Burgoon, 2014; Mayer & Gereffi, 2010). Marques and Mintzberg (2015) argue a similar point by highlighting the considerable divergence between Wal-Mart's approaches to social and environmental issues. They suggest the reason the company has remained a laggard on labor issues while simultaneously becoming a much-fêted leader with respect to environmental issues is because initiatives such as "greening the supply chain" are particularly well-aligned with its basic cost-cutting and high efficiency business approach. For this reason, while it has made great strides in the reduction of its carbon footprint and its energy efficiency, it has made no effort to resolve its labor issues, whether domestic or international, as doing so would impede it from pursuing its market strategy.

This thesis strongly supports what might be referred to as a social-issue-strategy-alignment theory. It suggests that when assessing the likely responses of the firms they plan to target, NGOs need to consider, above and beyond the above-mentioned firm attributes, whether their

demands are aligned with corporate strategies. Put a different way, the alignment of activist demands with firm strategies represents one of the most important elements of the corporate opportunity structure. Misalignment will likely result in resistance, or if sufficiently threatening to market strategy, result in conflict and active attempts to counter activist demands.

However, this present thesis research also extends the theory on firms' strategic responses in another way -- the type of response elicited. To date, a few studies have suggested that firms that can withstand reputational pressures will be laggards in adopting new norms and practices, essentially adapting a passive avoidance strategy to institutional pressures (Oliver, 1991). Bartley, for example, has suggested that retailers in the apparel industry were passive, permitting business associations to take the lead: "[A]pparel retailers like Wal-Mart, Sears, and Target stayed away from labor standards certification -- at least until weaker versions had been created by industry associations." (2007: 337). Similarly, Fransen suggests that European retailers have not joined MSIs because they have preference for industry-led certification initiatives which have less stringent standards (Fransen & Burgoon, 2014).

This thesis research outlines a case where a select group of global retailers were actively forming multiple initiatives as a counter-response to NGO and MSI pressures. Wal-Mart, Tesco, Carrefour, and Metro did not join initiatives formed by industry associations - they created them by forming an alliance amongst themselves and mobilizing industry associations. Rather than passive joiners, they were active founders. The notion that retailers are passive actors may be true for most retailers. However, the dominant global retailers and retailers' associations were spurred to action because of the growing number of regulatory and operational threats that disproportionally affected their business strategies and the existence of associations that they had already formed or redirected to deal with trade-related policy issues. As such, I suggest that rather than simply resist NGO pressures to join MSIs, some companies will actively engage in shaping private regulatory governance - the crucial distinction lies in the relative salience of reputational threats vis-à-vis operational and regulatory threats and the availability of the resources required to mount a countermovement. Detecting which companies will do so requires a tighter coupling of market and non-market strategies than what is currently being done in the literature -- along the lines of what Baron has referred to as *integrated strategy* (1995).

Contributions to the transnational governance literature

The findings from this first research question also contribute to the transnational governance literature studying MSIs. As outlined in chapter 2, this literature has hypothesized the ability for MSIs to drive private regulatory convergence. Theories have emphasized the ability for cross-sector initiatives to bring institutional pressures to bear on firms in a manner that socializes them into accepting new norms and adopting best practices in their supply chains. It has similarly argued that cross-sector inclusiveness and decentralized deliberation between NGOs and firms results in credible regulatory organizations because it legitimizes firms as political actors and balances the power differentials between non-state actors (Bernstein & Cashore, 2007; Fung, 2003; Mena & Palazzo, 2012; Scherer & Palazzo, 2011; van der Ven, 2014; Young, 2004).

This research project contributes to this literature by highlighting the problematic nature of the assumptions underpinning the theory – namely that sufficient social pressure can be brought to bear on companies in order to bring them to the table. As outlined in the previous point, some companies have the strategic motivation, customer base and resources at their disposal, that allow them to resist participating in these initiatives. Some firms may counter these initiatives with their own. As such, it suggests that the literature studying these market-driven MSI approaches are overly-agentic in their conceptualization of NGO and MSI abilities. The starting point for much of the research in this stream has tended to be the underlying assumption of a blank slate. In reality, considerable commercial histories and important structural-organizational antecedents are present. These should be understood as antecedents to the socialization processes studied by the transnational governance literature. Both existing business associations and buyer-controlled supply chain structures are critical to understanding the dynamics at play over longer time periods. For this reason, the most important power differentials cannot be addressed inside of MSIs, as suggested by this literature, because the most powerful companies may successfully avoid joining such initiatives - they will not even sit at the table. For this reason, there are important power asymmetries, mostly stemming from the global structure of markets and the supply chains that constitute them, which need to be taken into consideration.

QUESTION 2: WHAT STRATEGIES DO MSI AND BLI COALITIONS EMPLOY?

The prior research question looked at why companies choose to establish MSIs or BLIs. This second question, addressed in chapter 6, deals with understanding the collective organizational strategies once the coalitions are formed. More specifically, it examines and juxtaposes the strategies used by MSIs and the counter-strategies employed by BLIs. It examines how MSI and BLI founders successfully establish such coalitions and how strategies are similar or different from one type of coalition to the next. Two dimensions were analyzed: 1) Framing strategies: how MSIs and BLIs describe the sweatshop issue and the approaches they have developed to address it, in ways that justify and create a shared understanding for collective action; 2) Organizational strategies: how MSIs and BLIs developed and grew their organizations and the broader movement in order to achieve industry-level impact. The findings of this analysis are summarized below.

Summary of findings

MSIs capitalized greatly from the political opportunities that took shape in the 1990s. The anti-sweatshop movement provided intense media attention to global supply chain issues and governments, particularly the U.S. administration, came under intense pressure from trade unions to deal with the job losses taking place as a result of a shift from domestic to overseas manufacturing. The success of the Sullivan principles in pressuring South Africa's apartheid regime, the early success of the FSC in the forestry industry and the rapid growth of fair trade models provided what became a defacto governance model for addressing policy-related issues via non-governmental means. This approach heavily favored NGO involvement and the harnessing of market-based pressures via competition for what was believed to be tremendous potential in the growth ethical consumerism. The NGOs and government actors that set up the MSIs effectively drew on these concerns and this opening in government approaches. The U.S. Clinton administration convened NGOs, trade unions and companies to form the AIP. Likewise, NGOs partnered with the UK's DFID and the Dutch Ministry of Foreign Affairs supported the FWF. SAI, while not directly supported by government, capitalized on its reputation as a leading consumer "watchdog NGO" focused on CSR issues. This emphasis on NGO-led governance, combined with a strong anti-sweatshop movement that was effectively targeting leading brands

and drawing considerable media attention, allowed NGOs to successfully enroll and partner with a small number of corporate MSI founders. MSIs' framing strategies were heavily premised on three aspects: credibility through democracy; progress through innovation and learning; effectiveness through rigorous standards and local engagement. On the whole, MSIs suggested that they provided an approach that is both desirable from a normative perspective (based on democratic principles and governed by inclusive processes) and effective from regulatory perspective (innovative approaches and solutions resulting from their approach are able to address the problem and the certification systems are rigorous).

However, as MSIs transitioned past this inception phase, they experienced difficulties with their recruitment and scaling up strategies. Recruitment depended heavily on a carrot and stick approach whereby companies were pressured by activists to join and stay actively involved, and rewarded by being promoted as leaders in addressing sweatshop labor issues in their supply chains. MSIs' scaling up strategies involved developing best practices for dealing with labor issues that would be diffused throughout the industry by market demand for more ethical products and a gradual increase in institutional forces pressuring an ever-growing number of companies to adopt these best practices in a virtuous cycle. The rigorous and transparent approach developed by MSIs limited their growth because many firms were either not willing or not capable of implementing such measures. Moreover, the divergent, overlapping nature of their initiatives left them exposed to criticisms of inefficiency and low impact. This led to efforts to harmonize their standards via a joint initiative (JO-IN) which proved unsuccessful, largely because of what was revealed to be MSIs' irreconcilable differences and the difficulties of implementing a shared governance structure at a higher scale of operations.

BLIs' response to MSI strategies came in the form of a counter-framing composed of three elements: credibility through representational authority; progress through management systems; and effectiveness through harmonization. This framing was both driven by their corporate founders' strategic focus and by the political opportunity that emerged as MSIs developed and matured. MSI approaches led to fragmentation, which sowed the seeds that inadvertently provided BLIs with the opportunity to frame their initiatives as a solution to the regulatory proliferation problem that was now described via the concept of *audit fatigue* as being aggravated by the MSIs. BLIs focused on amplifying and exploiting growing concerns over the

complexity of the governance system to their advantage, emphasizing the severity of the issue and parlaying it into a key contribution by their organizations.

BLIs were effective in mobilization, recruitment and scale shift. Rather than market mechanisms, they relied on business associations and supply chain networks. Their efforts were neither dependent on, nor directed toward, consumers. Instead, their efforts were directed toward governments, and clearly designed to avoid government regulation and supplant the form of private regulation promoted by MSIs. Existing associations played a pivot role in these efforts, mobilizing business networks and supply chains to quickly build large coalitions. BLIs were initially mobilized by founders that were already collaborating within the framework of trade associations. These associations facilitated the initial collective action which evolved and grew in a step-wise fashion into larger initiatives – alliances between associations were forged, which led to the creation of larger, more encompassing associations. This was paired with a complementary scale shift strategy that leveraged global retailers' power over global supply to successfully recruit hundreds and thousands of members and factories to their initiatives. In the end, BLIs successfully established the need to demonstrate efficiency and broadly-based impact and were able to position scale and harmonization as the dominant frame.

The story of the global anti-sweatshop movement and the corporate countermovement that responded to it, is in many ways straight out of Saul Alinsky's *Rules for Radicals*, an oft-cited primer on social movement organizing written for civic leaders operating in disadvantaged and often powerless, marginalized communities. In the book, the author uses the concept of *political jujitsu* (Alinsky, 1971) to describe tactics in which social movements use the system's rules-of-the-game, developed by their opponents, against them. Alinsky also uses the phrase "their own petard" to describe the tactic, a metaphor used to refer to when an attacker (in this case the "system") is injured by the device he created with the intention of injuring others¹⁰. These concepts are useful for understanding the developments in the global apparel industry. In the 1980s and 1990s, corporations in the apparel and footwear industry jettisoned production, in many cases outsourcing all manufacturing to factories in developing countries and becoming entirely focused on design, marketing and sales. The anti-sweatshop movement in the U.S. and Europe effectively parlayed corporations' new emphasis on outsourced manufacturing and brand

¹⁰ The origin of the phrase dates to the French 16th century when small, gunpowder-filled, bomb-like devices were commonly used during warfare and attackers would sometimes be blown up by their own bombs. The phrase was first used as a metaphor by Shakespeare in the play *Hamlet*.

competition to their advantage, expertly executing a form of political jujitsu. As Charles Kernaghan, the NLC's Executive Director, put it, "Their image is everything... They live or die by their image. That gives you a certain power over them... These companies are sitting ducks" (Greenhouse, 1996). Kernaghan was essentially using the new "rules-of-the-game" to target Wal-Mart and other companies.

The corporate countermovement response can be understood from the same vantage point – as *reverse political jujitsu*. Focused on democratic principles, MSIs adopted processes focused on inclusion, deliberation and experimentation that resulted in lengthy development, a high degree of commitment and difficulty in scaling up from their localized roots. At the industry level, the development of multiple MSI initiatives resulted in increasing complexity, competition for members and overlapping initiatives. BLIs effectively leveraged and exploited these vulnerabilities, characterizing MSIs as politically motivated, conflict-prone, inefficient and ineffective and the BLI initiatives as remedies to this situation. They have in essence taken the difficulties associated with operating in a democratic and transparent manner, which were originally the MSIs' strengths and the reason for considerable government support, and turned them into the MSIs' weaknesses.

Contributions

Contributions to the stakeholder politics literature

The handful of studies examining MSIs and BLIs from a comparative perspective have suggested two main points regarding their strategies. First, that institutional pressures to be "more democratic" lead BLIs to seek legitimacy by emulating MSI stakeholder processes in a largely symbolic fashion, often claiming to be MSIs (Fransen, 2012; Gulbrandsen, 2008; Gulbrandsen, 2010) – what has come to be referred to as an "institutional mimicry" strategy (Eberlein et al., 2014). A second point has been the assertion that there is a tradeoff between the stringency of standards and the number of adherents to that standard (Potoski and Prakash 2009) and that BLI standards are generally less rigorous than MSIs' (cite O'Rourke, Bartley, Fransen, etc.). Based on this, a number of scholars have postulated that BLIs use the lowered stringency to compete for members (Merk, 2007; Auld et al., 2008; Fransen 2011; Bartley 2007; Lyon 2013). The empirical findings in the previous chapters suggests that MSIs and NGOs have similar

understandings of BLI strategies - MSIs have tended to explain the success of BLIs by alluding to the stringency-scale tradeoff, suggesting that members join BLIs due to their low standards.

Findings from this thesis research suggests that while these two elements contribute important insights, they provide a partial explanation, insufficient for understanding the growth and success of BLIs. This study suggests a complementary explanation that integrates and expands upon prior accounts of how BLIs establish themselves. While some BLIs' strategic repertoire included engaging with a variety of stakeholders in an arms-length manner as a means of claiming that there were involving stakeholders, such efforts were secondary and bound in a variety of ways. Additionally, while less stringent standards were an element of this strategy, facilitating the integration of new members and factories, they were not the main thrust of the BLI approach. BLIs' main strategy was predicated not on emulating MSIs in order to make the case that they were multi-stakeholder and therefore more democratic, nor on creating watered down versions of MSI standards, but on demonstrating their ability to achieve influence over a large proportion of the supply chains in which they are involved, and as such, authority over a "critical mass" of regulation targets. Rather than institutional mimicry or watering down standards, I propose that the main BLI strategy is one of *demonstrated authority via critical mass*. Their approach was to ensure that they were viewed as the authoritative body regarding transnational private regulation.

This last point also highlights a second contribution regarding the organizing mechanism by which this was achieved, which contributes to the work being done at the intersection of social movement and non-market strategy literature. As outlined in chapter 3, the non-market strategy literature has begun examine firms' adoption of social movement tactics as responses to social movement pressures. For example, firms' use of front groups and astro-turfing tactics (Walker & Rea, 2014) and partnership activism (McDonnell, 2015). To date this stream of research has shed light on the non-market strategy responses of individual firms. It has yet to engage with how firms organize a collective response to socio-political pressures. This is despite the fact that we know that firms' political activities are often of a collective nature, an understudied phenomenon within the field of management and organization which requires more research (Barley, 2010; Hillman et al., 2004; Lux et al., 2011; Marques, 2016; Schuler, 2008).

This study examines MNEs' non-market responses from a collective action perspective, identifying firms' adaptation and deployment of organizing strategies that have been pointed to

by social movement scholars as a critical element of social movement success. The contentious politics literature suggests structural conditions such as dense social ties and institutional structures that pre-exist the emergence of an issue are critical enablers for successful social movement formation and scale shift (McAdam, 2003). How established network structures enable collective action has also been studied within the management literature on alliances and inter-organizational networks (Gulati, 1998; Gulati & Gargiulo, 1999; Kraatz, 1998; Lawrence et al., 2002). This literature highlights how alliances are facilitated by prior inter-organizational activity resulting in adaptive responses that follow a certain organizational path dependency. Seidman (2007) has drawn on these insights to explain the success of the student movements in the US apparel industry. As outlined above, the findings of this thesis suggest that the BLI countermovement success rests on a similar mechanism – scaling up to an entire industry by bridging links between pre-existing trade associations. The key difference here, compared to civil society social movements, is that the pre-existing relationships forming the lattices for BLI launch and growth are both of an associational and commercial nature. The initial mobilization thrust occurred within the existing business associations such as the FTA and the AAMA. This was followed by “push” and “pull” recruitment mechanisms that led to the tremendous growth in the scale of these initiatives. The latter was based on established commercial relationships throughout the supply chain – global retailers recruited their suppliers to join the BLI initiative they had just launched – and as such was facilitated by the considerable influence that global retailers wield over their supply chains.

Contributions to the transnational governance literature

As reviewed at the beginning of this thesis, there have been numerous calls for a more expansive, longitudinal perspective that moves from specific private regulatory initiatives to a pluralist perspective where multiple, overlapping initiatives intersect and interact (Auld et al., 2008; Bartley, 2009, p. 130; Djelic & Sahlin-Andersson, 2008a; Eberlein et al., 2014; Rasche, 2010). Such an approach has not been sufficiently explored by the literature on democratic legitimacy of transnational private regulation nor by the literature on MSIs, which are generally focused at the initiative level rather than at the field level. MSI theories such as Non-State Market-Driven (NSMD) private regulation predict the growth of an MSI into an industry-wide private regulatory body (Bernstein & B.Cashore, 2008). As explained above, the unit of analysis

is too narrow, disregarding the ability for some firms to avoid MSIs because they are not as vulnerable to social movement pressure. However, its focus of analysis is too narrow for another reason, which relates to research question #2 -- it does not consider the outcomes of MSI formation at the system level, meaning not just the governance and effectiveness of a given initiative, but its relation to other initiatives and its effect on the transnational private regulatory system.

This study contributes to calls to understand the outcomes of private regulatory authority at the system level. Conclusions drawn from these findings differ considerably from existing theories that emphasize convergence based on MSI growth (Bernstein & Cashore, 2008) or a pluralist process of global regulatory reordering characterized by experimental and adaptive learning, and gradual meta-reordering (Reinecke et al., 2012; Hassel, 2008; Overdevest & Zeitlin, 2014). Instead, the findings of this thesis highlight a tension between MSI objectives to effect changes at an industry level and their methods for doing so that triggers a countermovement intent on, and capable of, controlling the process of regulatory reordering. Recall that MSIs exhibited strong variation along a number of dimensions including issue emphasis, certification models and support for certain policies such as living wage provisions and freedom of association. This was in large part a reflection of these initiatives' strong embeddedness in national-local contexts and their emphasis on deliberative processes. These inevitably resulted in highly customized solutions that reflect the configuration of the specific MSI's founding coalition. Reconciling the different, distinct MSIs into a harmonized system proved unfeasible and the market proved to be an inadequate vehicle for scaling up such initiatives to a broader share of the market. This fragmentation unwittingly provided the opportunity for BLIs to establish themselves as a response to the complexity engendered by these multiple MSIs. Paradoxically, in the medium term this resulted in the addition of five more regulatory initiatives (in the form of BLIs) as an effort to reduce the proliferation of such initiatives, which in effect created further fragmentation. As such, this reveals a mechanism in which proliferation of regulatory initiatives is driven by attempts to deal with that proliferation.

More importantly, however, is that findings also reveal a consolidation mechanism driven by BLIs that plays out over the longer term. As private regulation becomes more and more fragmented and begins to threaten global retailers' strategies, they respond by creating encompassing initiatives that attempt to integrate the fragmented initiatives and then reach a

point where, as explained in chapter 6, they begin to connect these different BLI initiatives. In effect, they attempt to replicate their position in the marketplace, as the integrators of multiple suppliers, in the regulatory space, as the integrators of multiple private regulatory initiatives and their standards. They are able to do so because of their considerable power in these buyer-controlled supply chains (Fernandez-Stark et al., 2011; Gereffi & Frederick, 2010) which grants them considerable influence over what standards their suppliers adopt. As such, the end outcome of this process is the likely creation of a “mirror effect” between supply chain commercial structures and supply chain governance structures – global retailers may end up exercising similar levels of control over transnational private regulation as they do over their supply chains these standards and codes are attempting to regulate. Such an outcome may in fact be understood as the logical consequence of a process of regulatory reordering, wherein the regulatory domain shifts from the national state to the global supply chain.

A final contribution to the MSI literature concerns the closer examination of the audiences that confer legitimacy and authority upon private governance initiatives. This thesis suggests that one of the limitations of the transnational governance literature focused on MSIs is that governments remain peripheral to the analysis. Bernstein and Cashore for example, have suggested that MSI initiatives “derive authority directly from interested audiences, including those they seek to regulate, not from sovereign states” (2007, p. 348). The suggestion is that it is the MNCs and NGOs that participate in these initiatives that form the political community that confers legitimacy. However, Vogel argues that businesses have generally adopted CSR codes and standards in order to preclude government regulation (2008, p.268) – see also Lyon and Maxwell (2004). Extending the latter line of reasoning suggests BLIs’ ability to forestall government regulation represents the conferral of legitimacy by government rather than by the public or organized civil society.

The findings in this paper reveal that BLIs do not seek legitimacy from civil society, consumers or NGOs. Rather, BLIs’ two main audiences are other companies and government regulatory bodies – because by involving the first, they are able to influence the second. As explained above, BLI efforts have focused on scaling up their initiatives. The reason they have done so is to dissuade government regulation. Their claims regarding scale and authority are intended to demonstrate to governments, with whom they have close contact, their authority over the industry. Therefore, this suggests that government is the main audience, an important

component of the “private political community” and an important source of legitimacy for private governance initiatives.

TRANSFERABILITY¹¹, LIMITATIONS AND FUTURE RESEARCH

The findings and inherent limitations of the research approach used for this thesis suggest some avenues for future research. As it is based on the study of one industry, the usual caveats, regarding the broader significance and application of the findings to other industries and contexts, apply. Future research might investigate MSI-BLI dynamics and mechanisms in other industries to ascertain whether similar strategic drivers and coalitional non-market strategies can be observed. Researchers may also investigate industries where only one BLI is dominant, such as the electronics, telecommunications and toy industries, to examine BLIs strategies in industries where they do not compete against MSIs and how these compare to BLI strategies in the former group of studies where industries are characterized by private regulatory proliferation.

There are compelling reasons to believe that the findings from this study shed light on the coalitional non-market dynamics that can be observed in other industries and contexts. One reason concerns the finding that the BLI initiatives in the apparel industry are being formed by global retailers to encompass not just the global apparel industry supply chain but a number of other supply chains as well. Grocery products are actually the most important focus for these initiatives but the idea is to cover all consumer goods product segments that they sell in their stores. For this reason, although this thesis has focused on the apparel industry, the findings may prove to be applicable to these other industries as well.

In addition, an examination of a number of other industries and initiatives suggests that similar dynamics have been playing out in other contexts and that scale has become the defining criterion for private regulatory initiatives. These are briefly outlined below.

¹¹ Transferability refers to the ability of research results to transfer to situations with similar parameters, populations and characteristics. As explained in chapter 3, I use the concept of *transferability* instead of the more commonly-used concepts *generalizability* or *external validity* because the latter are part of the quantitative research paradigm and therefore unsuitable for describing qualitative research results and objectives (Lincoln & Guba, 1985; Shah & Corley, 2006).

Transferability to other industries

The development of private regulation in a number of industries has been characterized by contention between NGOs and firms. BLIs have become dominant players in nearly every industry and in some cases they have become the only form of private regulation in that industry. Preliminary analysis of these industries suggests that business associations are using a similar *authority via critical mass* approach that is based on organizational and institutional antecedents.

Forestry, for example, likely the most studied industry with regards to private regulation, is characterized by a movement-counter movement dynamic between the Forest Stewardship Council (FSC), an MSI, and the Programme for the Endorsement of Forest Certification (PEFC), a BLI. While the FSC was dominant early on and pointed to as the exemplary MSI to be modeled in other industries (including the apparel industry), the PEFC, a BLI, has seemingly made considerable gains and has been shown to have forced the FSC to modify its approach. Some have even argued that it has created a crisis for the FSC (Burns et al., 2016; Moog et al., 2015). An analysis of PEFC communication material reveals that, similar to the BLIs in the apparel industry, it appears to be using scale as the key point of differentiation. For example, on its webpage labelled “What makes PEFC unique?” is the statement that the PEFC is the “world's largest forest certification system” (PEFC, 2016). The same claim is repeated in most of its promotional material. This compares to the FSC communication material that highlight its consultation with various stakeholder groups, engagement with local communities, inclusive governance structures, transparency, and credibility (FSC, 2016).

BLIs' emphasis upon size and scale appears to also be applicable in industries where there are no MSIs such as the chemical and electronics industries. The chemical industry's Responsible Care initiative (RC) is considered to be one of the most prominent and successful cases of self-regulation, largely because of the scale on which it operates. Is it consistently referred to in the media and academia as being an “encompassing” initiative that comprises nearly 90% of the world's chemical companies (Prakash, 1999) (Barnett & King, 2008; Conzelmann, 2012). Moreover, Responsible Care describes its global reach as a “movement”:

Since being launched in Canada more than 25 years ago, Responsible Care® has expanded into a global movement, now practised in more than 60 countries around the world, and overseen by the International Council of Chemical Associations. (Chemical Industry Association of Canada (CIAC), 2016)

The electronics industry BLI is another case in point. The Electronic Industry Citizenship Coalition (EICC) initiative, the only private regulatory initiative in the electronics industry, describes its purpose as harmonizing codes of conduct (Baue, 2007; van Liemt, 2007). Similar to the chemical industry's RC initiative, it too is referred to consistently in its own communications and in the media as a globally-encompassing collaborative initiative: "The EICC is the world's largest industry coalition dedicated to electronics supply chain responsibility"(EICC, 2016).

Lastly, the global mining and metals industry has a BLI based in London, the International Council on Mining and Minerals (ICMM) that also appears to emphasize scale, based on both corporate membership and multi-associational linkages, as its main claim to credibility:

ICMM brings together 23 of the world's leading mining and metals companies as well as 34 national and regional mining associations and global commodity associations to address the core sustainable development challenges faced by the industry. Through our 34 members associations, we are connected to another 1,500 companies in the sector. (ICMM, 2016)

Lastly, the data collected for this thesis suggests that MSIs in all industries have come under pressure to demonstrate impact on a global scale. As a response, they have begun to focus on how to scale up their organizations as a key credibility objective in recent years. The ISEAL (International Social and Environmental Accreditation and Labelling) Alliance, a meta-organization (an association of associations) of MSIs from the fisheries, agriculture, forestry, biofuels, textiles, and mining sectors, have adopted a "scaling up strategy" as a main priority for their members¹². ISEAL describes the reason for this strategy as follows:

Over the past two decades, ISEAL members have established market approaches to address some of the world's most pressing problems. They have had a major impact on the ground while creating growing demand for sustainable products. The private sector and governments have become increasingly interested in the potential that sustainability standards have to transform global markets. But in order to achieve this transformation, our members must scale up with unprecedented speed and efficiency. (ISEAL Alliance & AccountAbility, 2011)

Transferability to other contexts

The findings of this thesis also find applicability in contexts outside of standards-setting related to labor and sustainability issues in global supply chains characterized by contentious firm-NGO relations. Applications to public policy issues in both global industries and at the national level can also be witnessed.

¹² See <http://www.isealliance.org/our-work/increasing-uptake/scaling-up-strategy>

Take the global airline industry for instance. Much of the industry's commercial operations have been governed since 1954 by one business association - the International Air Transport Association (IATA) – whose members represent over 95% of the world's scheduled air traffic. Its scale and representational authority have permitted it to harmonize numerous standards and regulations across the globe including rules for the transport of hazardous goods and how safety verification and auditing is performed. The latter, referred to as IOSA (IATA Operational Safety Audit) involved standardizing and harmonizing the disparate safety audit standards across the airline industry¹³.

The relevance of this thesis' findings can also be discussed in the context of national business-state relations. In corporatist political systems such as Germany, The Netherlands and Austria, national business associations have been granted “quasi-public” regulatory authority because of the fact that they represent a large cross-section of the business sector (Hollingsworth & Boyer, 1997; Schmitter & Streeck, 1999 (1982); Streeck & Schmitter, 1985). Similar associational structures and business state relations have been studied in many developing countries including Chile, Taiwan, South Korea and Brazil (Amsden, 1989; Evans, 1995; Mancuso, 2010; Maxfield & Schneider, 1997; Wade, 1990). An important point that becomes salient when drawing these comparisons is that such encompassing business associations have been both used by governments as regulatory instruments and that they have been present in democratic and non-democratic political regimes. As such, there appears to be ample room and sufficient evidence for exploring how such structures can be transferred to contexts where the governance of labor and sustainability issues in global supply chains is the issue.

Other implications for future research

The findings from this thesis also identify the need for more empirical studies on the issue of audit fatigue, the main issue on which BLIs counter-framing strategies were focused. Although duplication appears to be a problem, there is little understanding of the magnitude of the issue and an overreliance on anecdotal evidence. The example of the supplier that is burdened with dozens of audits per year comes up repeatedly in interviews as an example of the problem but it not clearly substantiated on a system-wide level.

¹³ See <https://www.iata.org/whatwedo/safety/audit/iosa/Pages/index.aspx>

Some MSIs have suggested that the audit fatigue issue has been exaggerated and that it represents a framing technique on the part of BLIs rather than an actual problem [Interview with MSI representative, 2013]. This assertion is in fact partly substantiated by an early report by the World Bank suggesting that developing country suppliers do not consider recurrent audits from different buyers a major issue (World Bank, 2003/2004). Surprisingly, and perhaps inadvertently, this point is also confirmed in a report by BSCI. Its Achievement Study, conducted on the occasion of its tenth anniversary, quotes one of its member companies stating that the audit overlap (and therefore the benefits of eliminating the overlap) is not as extensive as they had thought:

The effectiveness of avoiding multiple audits depends on the number of participants that source from the same producer. Accordingly, competing companies work collaboratively within the BSCI to increase social compliance in their supply chains. ‘The amount of overlapping suppliers is not as big as we hoped...’ one participant explains. (Hofstetter & Mueller, 2013, p. 23).

However, interview data compiled for this thesis suggested the fact that audit duplication does seem to be an issue. In discussing the different approaches to auditing by MSIs and BLIs, an MSI representative uses the example of an audit that had just been performed in a factory that was previously audited by a BLI in order to highlight the differences.

I have just finished a comparison between an audit that [a BLI] did in a factory in China and an audit that happened to be 3 days later in the same factory by [an MSI]. [FWF interview]

While intended to make a different point, this example supports the idea that there in fact is a duplication of effort between the various regulatory initiatives. Evaluating whether audit fatigue is in fact a problem, or the extent to which it is a problem, was not an objective for this present study. The findings do however point out the importance of this issue in BLIs framing strategies. The contradictory evidence provided above, draws attention to the need for more conclusive evidence regarding the audit fatigue problem at the level of the industry supply chain.

CONTRIBUTIONS TO PRACTICE AND POLICY

Implications for companies

One of the main problems for managers with regards to private regulation, lies in deciding which standard or code of conduct to adopt (Prado, 2013). This thesis contributes to an

understanding of how private regulation in the global apparel industry supply chain has evolved and is structured. It also articulates the differences that managers need to consider between the different types of initiatives. There are considerable tradeoffs to be considered in deciding between joining an MSI and a BLI. In general, MSIs appeal to brand sensitive and specialized retailers interested in innovative and transparent approaches and more rigorous audits, while BLIs appeal to companies looking for minimal assurance of compliance and a more straightforward, less costly approach. While MSIs require the investment of comparatively more resources, they may provide greater (although not absolute) assurances of dealing with the labor issue in supply chains. BLIs on the other hand, provide a more streamlined, cost-effective system but are founded and dominated by large companies who may view themselves as the “engineers” of the initiatives, and as such provide little leeway for smaller companies to contribute to the direction and governance of such initiatives.

The proliferation of private regulatory initiatives has been described by some as a market for standards where companies can choose amongst a wide variety of approaches (Reinecke et al., 2012; Turcotte et al., 2014). In some cases, companies will see a clear advantage to joining a particular MSI because of its specialization in a particular niche area. For example, the FLA has become the main private regulatory initiative for sportswear, outdoor and activewear companies. Of its membership a large proportion are from this sector, including PUMA, Adidas, New Balance, Under Armour, Patagonia, Kathmandu and MEC. ETI has similarly become a predominantly UK-based initiative, counting amongst its members UK specialty and national retailers (although it has also attracted other companies such as The Gap, a U.S. based specialty retailer). Similarly, FWF is associated with retail, designer and brand SMEs focused on the Dutch market. For this reason, a sportswear company is likely to join the FLA, while a UK-based company is likely to join ETI and a Dutch brand company will join FWF.

This thesis however suggests that while some companies may be free to choose amongst a variety of regulatory offerings, in practice the choice of regulatory initiative will likely depend on the type of company and the global supply chain in which the company operates. In many cases companies may be pressured to choose a specific standard – e.g. suppliers of global retailers will likely be asked to adopt the BLI standard used by the retailer.

Implications for policymakers

This study has shown that the state has been a key actor in the private regulation of the apparel industry, legitimizing and playing an active role in shaping these initiatives. This has produced mixed results and the overall outcome is that the problem persists and an effective solution remains out of reach for the moment. Recent work by Locke and others has shown that private governance initiatives have failed to live up to their promise and when they are effective, they function as a complement rather than as a substitute for public policy and state regulation (Locke, 2013; Locke et al., 2012; Short & Toffel, 2010). As such, if we accept both the premise that some form of private regulation is required to deal with the global scope of supply chains, and the conclusion that the state needs to be involved in order to make these initiatives effective, then new approaches need to be considered.

This thesis research suggests that one avenue is for policy-makers to consider the complementarities that might underlie the interaction between the two approaches - rather than understanding the relationship between MSIs and BLIs as a race-to-the-bottom vs. a race-to-the-top phenomenon, a *broad and shallow* versus a *narrow and deep* understanding might be more fitting. Such an approach implies moving away from supporting one or other form of private regulation. Until now, policymakers have made concerted efforts to push for cross-sector solutions to problems in the form of MSIs and PPPs (examples that are detailed in chapter 4 and 5 include the U.S. Clinton Administration, UK DFID and the Dutch Ministry of Foreign Affairs that supported the creation of the FLA, ETI and FWF respectively). Various intergovernmental organizations have also supported the need for MSIs, citing the need to address the democratic legitimacy gap at the transnational level (Esty, 2006) (G20 Inter-Agency Working Group, 2011). More recently, the need to move away from promoting MSIs as panaceas to social and environmental problems has been suggested (Kolk, 2013) and some intergovernmental agencies have shown strong support for BLIs such as the GSCP (German G7 Presidency, 2015).

The findings in the paper suggests the need for governments and civil society to move away from the promotion of individual initiatives, particularly MSIs, and consider governance at the industry level. The flaw in the thinking in much of the literature to date is that these could be one and the same. As the proliferation of standards demonstrates, this is not a valid assumption. Various governments' support for cross-sector private regulatory solutions in the form of MSIs resulted in proliferation and regulatory complexity at the global level. This has in effect opened

the door to less inclusive initiatives and further increased proliferation which has now become a policy concern as well.

This thesis research raises the question as to whether complementarities between these differing forms of governance have been overlooked. How do you harness the ability for BLIs to achieve scale without allowing commercial interests to capture the process and institution? Equally, the challenge MSIs are faced with concerns scaling up inclusive, transparent and locally-focused processes to operate on a larger scale. These are in effect two sides of the same coin. Understanding how these two interact is essential. Consequently, the results of this thesis support the assertions made by the recent literature examining the interaction of various types of regulation from a dynamic perspective. Regulatory initiatives may be complementary in the sense that they compensate for each other's weaknesses (Vogel, 2010). Interactions are understood as an ongoing positioning and mutual adjustment (Overdevest & Zeitlin, 2014; Paquin, 2013; Reinecke et al., 2012) where a shifting division of labor (Hoffman, 2009) may be appropriate and conducive to a more effective regulatory structure.

The contribution that NGOs may best suited to make with regards to global regulation and governance needs to be re-examined. Rather than encouraging NGOs to attempt to set up and operate industry-wide MSIs, governments should consider that NGOs appear better suited to co-developing credible standards, researching innovative ways to operationalize the standards and maintaining pressure upon corporations to implement them. As such, this study supports and extends suggestions that NGOs and that social movements may be most effective at the "agenda-setting stage" (de Bakker et al., 2013) rather than as implementers that operate at scale. The management and governance of private regulatory schemes should not come at the expense of activist NGOs' main responsibility - holding governments and corporations to account and pressuring them to fulfill their responsibilities.

Implications for NGOs

In addition to implications for companies and policymakers, the findings from this thesis also have implications for activist NGOs and the MSIs they promote. More specifically, it provides clear evidence of the limits of the tactics currently used by activists and suggests the need to examine some possible alternatives. A main implication, which has been discussed above in relation to the literature on corporate opportunity structures, concerns how activists select their

corporate targets and the tactics they employ in pressuring these companies to adopt specific practices. This thesis provides evidence of the fact that some companies will be less receptive to NGO claims than others and, of more critical importance to the success of activist efforts, some companies will have the strategic makeup and resources at their disposal, not only to reject activist demands, but to mount effective counter-responses to their efforts. Recall from chapter 4 that in the U.S., Nike and Wal-Mart were the two most targeted corporations by activists, largely because of the prominence of their brands. Each faced a barrage of boycotts and sustained negative media publicity. Yet, the responses by Nike and Wal-Mart were remarkably different. Understanding these divergent responses requires a greater understanding of their strategic motivations, risk profiles and resource bases. This suggests that NGOs should invest greater efforts into gaining a firmer grasp of industry dynamics, supply chain structures and broader commercial and political contexts in which the companies they are targeting are embedded.

A second important implication concerns the identification of the limits of the market-based model espoused by NGOs in creating and attempting to scale up MSIs. NGOs relied heavily on consumer pressure for sweatshop-free products and suggested to companies that certification by MSIs would not only safeguard their brands from reputational issues but provide access to market segments that demanded ethically produced products. Yet, as can be witnessed from this case study, ethical claims and issues may be effective at initially mobilizing a localized movement but will face considerable challenges in diffusing or scaling across an industry. In the end, market demand proved to be an inadequate organizational mechanism to diffuse and scale up MSIs' private regulatory model. Viewed from a different perspective, it was unable to sustain collective action. As such, this thesis supports and builds on the view that the "market for virtue" is a limited one, composed of a niche group of customers (Bray et al., 2011; Devinney et al., 2010; O'Rourke, 2012; Vogel, 2005). While it may be growing, it does not provide sufficient leverage for wide-scale change and as such should be viewed as a foundation from which to build a broader solution. As has been demonstrated in this thesis, such niches are not the market for global retailers such as Wal-Mart, Carrefour and Tesco. Moreover, this market approach was plagued not just by limited demand but also by limited supply, meaning that there were few companies willing to invest into providing such goods. In most cases, MSIs found it difficult to recruit new members and grow beyond its initial base, effectively hitting a plateau in terms of participating firms.

Overall, this suggests that NGOs may need to reconsider how they interact with both governments and business associations. The considerable scale which BLIs were able to achieve suggests that NGOs should better assess how to engage with them. Influencing their activities may be difficult for a variety of reasons, including their size and effectiveness at keeping NGO and consumer pressure at bay. Yet, as this thesis has highlighted, the most salient risk for them is policy risk arising from trade issues and regulation rather than reputational risk. As such, rather than targeting companies directly and engaging them in the development of private regulatory efforts, NGO activists may consider redirecting their efforts to lobbying governments for increased regulation. Doing so may provide them with some leverage that can then be directed to business associations rather than individual companies. Such a shift would require establishing more integrated industry-wide NGO coalitions in order to increase their influence. We might in fact be seeing this governance arrangement emerging in other industries – the electronics industry for example has no MSIs. Instead it has two broad coalitions. Companies are members of an industry-wide BLI (the Electronic Industry Citizenship Coalition, EICC) and NGOs are members of GoodElectronics, an industry-wide NGO coalition (GoodElectronics & CSR Platform, 2009). Their interaction takes place on a global industry level and is focused on policy objectives rather than implementation and certification.

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Appendix A - Forbes' the World's Most Valuable Brands 2010

	BRAND	BRAND	BRAND REVENUE	COMPANY	SECTOR
#1	Apple	\$145.3 B	\$182.3 B	\$1.2 B	Technology
#2	Microsoft	\$69.3 B	\$93.3 B	\$2.3 B	Technology
#3	Google	\$65.6 B	\$61.8 B	\$3 B	Technology
#4	Coca-Cola	\$56 B	\$23.1 B	\$3.5 B	Beverages
#5	IBM	\$49.8 B	\$92.8 B	\$1.3 B	Technology
#6	McDonald's	\$39.5 B	\$87.8 B	\$808 M	Restaurants
#7	Samsung	\$37.9 B	\$187.8 B	\$3.8 B	Technology
#8	Toyota	\$37.8 B	\$171.1 B	\$3.8 B	Automotive
#9	General Electric	\$37.5 B	\$129.1 B	-	Diversified
#10	Facebook	\$36.5 B	\$12.1 B	\$135 M	Technology
#11	Disney	\$34.6 B	\$26.4 B	\$2.8 B	Leisure
#12	AT&T	\$29.1 B	\$132.4 B	\$3.3 B	Telecom
#13	Amazon.com	\$28.1 B	\$87.5 B	\$3.3 B	Technology
#14	Louis Vuitton	\$28.1 B	\$10.1 B	\$4.6 B	Luxury
#15	Cisco	\$27.6 B	\$48.1 B	\$196 M	Technology
#16	BMW	\$27.5 B	\$83.5 B	-	Automotive
#17	Oracle	\$26.8 B	\$38.8 B	\$79 M	Technology
#18	NIKE	\$26.3 B	\$28.3 B	\$3 B	Apparel
#19	Intel	\$25.8 B	\$55.9 B	\$1.8 B	Technology
#20	Wal-Mart	\$24.7 B	\$313 B	\$2.4 B	Retail
#21	Verizon	\$24.5 B	\$127.1 B	\$2.5 B	Telecom
#22	American	\$23.4 B	\$36 B	\$3.3 B	Financial Services
#23	Honda	\$22.6 B	\$101.3 B	\$2.7 B	Automotive
#24	Mercedes-Benz	\$22.5 B	\$106.6 B	-	Automotive
#25	Budweiser	\$22.3 B	\$10.2 B	-	Alcohol

source: <http://www.forbes.com/powerful-brands/list/#tab:rank>

Appendix B – Interview guide (generic version used for MSI/BLI interviews)

1) Industry/ supply-chain perspective:

- What is the sweatshop problem as you see it?
- Please describe efforts to deal with the problem and how they have evolved.
- How have private regulatory efforts developed?
 - Is this a positive or negative state of affairs?
 - Is such a situation stable or is it in flux?
 - Are any distinctive phases or time periods identifiable?
 - Are there diverse approaches to standard/code efforts?
 - Are distinct trends evident in the organization of standard/code efforts? (e.g.: convergence; nesting; specialization; competition; other)
 - Why are there many code/standard initiatives?
 - Is standard/code proliferation and/or audit fatigue a problem?
- Does context (national, industry, etc.) influence standards/code initiatives, and if so, how?
 - What role do governments and inter-governmental organizations play a role in code/standard initiatives? Should they do more/less?
 - What role do NGOs play a role in code/standard initiatives? Should they do more/less?
 - What role do consultants play a role in code/standard initiatives? Should they do more/less?
- How do companies choose what private regulatory initiative to join?
 - What role to companies play in code/standard initiatives?
 - Do you see any patterns?

2) Organization-specific perspective:

- How/why was your organization established?
 - Can you walk me through its history?
 - Who were the founders? What was their objective/vision/mission/etc.?
- How would you describe your organization?
 - How is it managed/ governed?
 - What makes it credible/ legitimate?
 - How would you describe your organization's strategy? What is "strategic"?
 - Who are your stakeholders? How do you manage and communicate with them?
 - How does your organization interact with NGOs? governments? consumers? factories?
 - To which organization(s) is it similar? different?
 - How do others describe your organization?
 - Who are your organization's competitors? partners?
- What challenges has your organization faced?
 - What has been your organization's greatest challenge?
 - How have these been managed?
- To what factors do you attribute your organization's performance?
 - What is "success" for your organization?
 - What has your organization achieved?
 - What makes it effective?
 - How do you innovate?
 - How do you build credibility/ legitimacy?
- How has your organization changed?
 - How has it changed since being established?
 - How do you foresee it changing?
- Is there interaction between your organization and other regulatory initiatives?
 - How would you describe the interaction or lack of?
 - Has your organization formally collaborated with other organizations? If so, how/why?