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IMROVING THE CSR IMAGE – A STUDY ON SUPPLIERS OF BANGLADESH GARMENTS INDUSTRY

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ABSTRACT

This research study aims to evaluate the issues and factors for building a positive organizational CSR image that enables suppliers to create positive perception in relation to stakeholders. The study identified major challenges to improve CSR image for the suppliers. Based on the findings, it is suggested that suppliers need to improve in the following areas for changes of CSR image: (1) initiate education and measures to improve the employees' understanding and importance of CSR; (2) develop a corporate culture to give priority in building positive CSR image; (3) develop link with educational institutions for educating middle managers on CSR and its effect on company image; (4) arrange short trainings for new workers to make them understand the concept of CSR and educate them on their own responsibilities as part of the organization; (5) establish platforms for sharing knowledge between suppliers to increase compliance.

Keywords – Image, Corporate social responsibility (CSR), Suppliers, Sustainability, Supply chain.

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1. Introduction

Corporate image is a person's beliefs about an organization, and answers the question ''What do people think about you?'', and corporate identity is the attributes used to describe an organization, or the way the organization presents itself to different stakeholder audiences, in order to answer: ''Who are you?'' (Dowling, 2004). A responsible image allows corporations to differentiate themselves from their competitors (McWilliams & Siegel, 2000). Studies demonstrate that a responsible image can positively affect the purchasing decisions of customers (Du, Bhattacharya, & Sen, 2007). Corporate social responsibility (CSR) is increasingly being relied upon to qualify corporate ability achievements, and enhance reputation in the process (Becker-Olsen et al., 2006; Pirsch et al., 2007). After the Rana Plaza massacre on April 24, 2013 at Savar near Dhaka the capital city of Bangladesh which took lives of over eleven hundred workers and injured around two thousand workers, the garments industry in Bangladesh has faced hard criticism internationally due to the lack of CSR practices of the suppliers giving corporate supply chain bad image. With increased stakeholder CSR demands, the suppliers face increased pressures to initiate and recognize CSR issues for changing the image of the supply chain. This paper aims to study the influencing factors as well as challenges and focuses on the issues that need to be undertaken to build a positive CSR image for suppliers of Bangladesh garments industry.

To understand the issues and challenges on building organizational CSR image for the suppliers of Bangladesh garments industry a research questions is discussed. That is: 1. What are the main challenges faced by the suppliers to improve CSR image? By addressing this question,

this study offers a deep insight on the barriers to improve CSR image of the suppliers of Bangladesh garments industry.

2. Literature Review

This section provides support regarding relationship between CSR and corporate image for examining the importance of organizational CSR image.

2.1 Corporate image and CSR

Image is regarded as a reflection of consumers' perceptions of a brand, and can be gauged by the associations held in the memory (de Chertony and Mcdonald, 2003; Keller, 2008). Consumers' perceptions of the corporate brand relative to CSR may affect their corporate associations, which reflect what they know about the corporation (Sweetin *et al.*, 2013). Branding research also documents potential benefits arising from corporate social responsibility(CSR), primarily through the link to consumers' and other stakeholders' positive product evaluations or the brand evaluations, choices, and recommendations that derive from an association with specific CSR initiatives (Klein & Dawar, 2004; Sen & Bhattacharya, 2001; Sen *el al*., 2006). In a global context, stakeholders from different cultures and various geographical areas demand strategic consideration if it hopes to develop a socially responsible business orientation (Caroll, 2004). Corporate social responsibility (CSR) activities have been used to address consumers' social concerns, create a favorable corporate image, and develop a positive relationship with consumers and other stakeholders (Yoon *et al,* 2006). CSR-related issues can easily erode the firm's legitimacy and destroy the brand franchise upon which market value is built. As a result, it is contended that the growing integration of strategy, brand management, and need for social responsibility moves CSR from being a minimal commitment or some social add-on to becoming a strategic necessity (Werther Jr. & Chandler, 2005). Image can change quickly, reputation evolves over time and is influenced by consistent performance and communication over several years. Both, image and reputation can influence company competitiveness (Gray & Balmer, 1998).

3. Methodology

To conduct this study qualitative research approach was used as according to Doz (2011) qualitative research creates close contacts with the respondents and therefore is helpful to deal with contextual sensitivity and perceptual insight.

To collect the qualitative data, face-to-face interviews and observation methods were used. For the face to face interviews and observation, representatives of two major European buyers, five 1st tier suppliers of these buyers, five 2nd tier suppliers of these buyers, and two representative of support services providers were selected based on the following existing supply chain scenario developed on the basis of the interviews with the representatives of the two famous brands of Europe that are doing business with suppliers from Bangladesh for the last fifteen years. The respondents play an active role as being part of this existing supply chain.
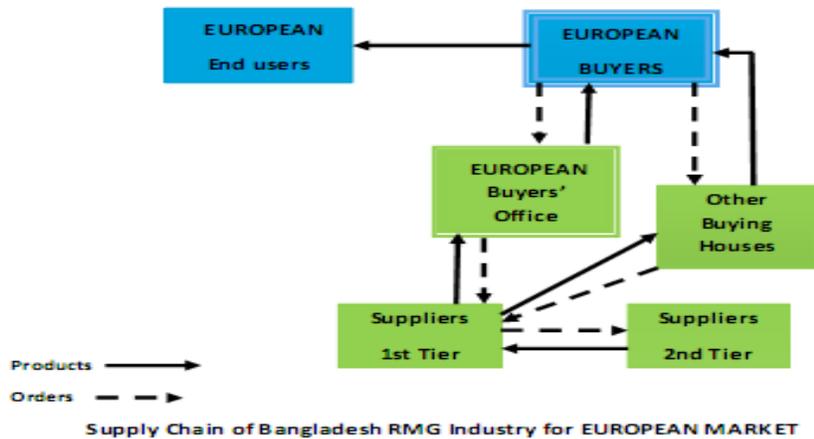
Figure 1: The Existing Supply Chain influencing the research design

The two major buyers of Europe have been identified as they provide bulk orders as well as purchase in huge quantity every year from the suppliers of readymade garments in Bangladesh. The two major buyers also have their own buying offices in Dhaka, Bangladesh. Based on the interview with the Buyers head office in Europe and their offices in Bangladesh, five firms (Ready-made Garments exporters) have been selected who supply a good quantity of ready-made garments to these buyers for their end users in Europe every year. The Top management of these firms has been notified about the research study and then upon receiving appointments, in-depth face-to-face interviews and observations during factory visits have been conducted to collect information and observe the real practices. Based on the interviews of the 1st tier firms, five firms were selected as 2nd tier suppliers. These suppliers provide fabrics, buttons, zippers, paper boxes, poly bags, woven labels, plastic labels, and paper hand tags to the 1st tier suppliers to fulfill their orders from the international buyers. The 2nd tier supplier firms were notified about the research study as well. Upon receiving appointment, face-to-face interviews were carried out with the top and middle management and factory visits have been conducted to collect information and observe the real practices.

The research study was done on four phases. In the first phase the two major buyers were notified about the theme of the research study and key personnel in the CSR & compliance department of the buyers were interviewed in Europe in their headquarters to receive insight on their supply chain and the role of Bangladeshi suppliers. In the second phase the local offices of the two major buyers of Europe in Bangladesh has been visited and the top management teams were interviewed to get insight regarding the supply chain issues, steps taken by the buyers regarding CSR issues in the supplier factories, evaluation process for CSR implementation of the suppliers on a periodic basis, the importance of CSR image for a supplier, and the impact of this CSR image on reputation as well as the business relationship. Later in this phase top management personnel of five 1st tier suppliers and five 2nd tier suppliers were interviewed and their factories were visited in order to receive insight on steps taken by the suppliers to develop their CSR image. In the third phase a focus group discussion and workshop was arranged in Bangladesh on understanding the role of CSR on the sustainability of the supply chain between European buyers and Bangladeshi suppliers. Local representatives of the major buyers of Europe, local suppliers, representatives from Bangladesh garments manufacturers and exporters association (BGMEA), representatives from Dhaka chamber of commerce and industry (DCCI), representatives of local buying houses representing relatively small and medium retail buyers of Europe, noted industry

experts, local media, noted academicians and researchers were invited in the workshop. In the presentation part the observations of the study group was portrayed. The focus group discussion and workshop provided lots of insights related to the CSR Image of Suppliers and its role on making the Bangladesh readymade garments industry sustainable. In the fourth phase a focus group discussion and workshop was arranged in Sweden on understanding the role of CSR image on the sustainability of the supply chain. Representatives of major buyers of Europe, local media, academicians, supply chain experts, CSR experts were invited in the workshop. The study group showed the findings of their study and in the discussion part CSR image and its importance in affecting the sustainability of the supply chain for the Bangladeshi suppliers have been emphasized.

4. Analysis

The two major buyers have emphasized that for them CSR implementation is a very important issue for choosing a supplier and continuing business with a supplier worldwide. So CSR image is vital for the Bangladesh suppliers in order to be competitive. The buyers often provides a code of conduct for the suppliers to follow but they have mentioned that in case of most Bangladeshi suppliers, the code of conduct are often termed as compliance issues of the buyers rather than thinking of the code of conduct as standards for CSR image. It is observed that upon receiving the code of conduct from the buyers, the suppliers take up initiative to work according to the code of conduct and often take actions in order to pass the buyer's announced or un-announced CSR audits rather than making it a daily practice. The employees of the suppliers are given training on the compliance issues as it is the way buyers want them to work but are not trained in becoming socially responsible. Though the audits are done now often by the buyers to evaluate the CSR implementation scenario within the factory premises but in most cases that does not always ensure that compliance issues are strictly followed by the suppliers within their factory premises on regular basis realizing the fact that their corporate responsibility will work as an indicator for the corporate image. The two major buyers focused on the fact that though some medium sized suppliers still have weak CSR implementation scenario but most of the large suppliers are practicing CSR implementation issues effectively but they have emphasized that this performance is not because that these firms have realized their responsibility but rather they prefer to implement CSR issues because of the rigid regular CSR audits done by the buyers. The buyers also points out that still most of the suppliers think about CSR implementation as an activity rather than a responsibility and do not showcase it as their CSR image. Which means that if the buyers stops monitoring the suppliers and do not give emphasis on the compliance issues as an indicator of performance for the suppliers, there is a possibility that most of the suppliers that implementing CSR issues in their factories may not implement them in the same manner or may not implement them at all.

The 1 st tier suppliers have focused on the point that the buyer's code of conduct is the primary base for CSR implementation for them. They often try to fulfill the duties and responsibilities as per the code of conduct as they also realize that the CSR implementation allows their firm to have a positive frame of mind in case of the buyers. The suppliers specified though the CSR implementation should be an important realization for the employees and workers but as most of the workers as well as the lower management and middle management employees are uneducated and mostly works on basis of their experience and skills related to efficiency in production, they do not have urge to become responsible unless they are pressurized by the authority. The suppliers also specified though the buyers normally provides them the code of conduct and supports them in fulfilling the code of conduct as well as helps them to improve in the CSR

implementation issues based on CSR audit results but the extra cost that the suppliers need to incur in order to implement CSR are not shared by the buyers, rather they often asks the suppliers to implement CSR issues at the same time negotiates on the prices of the products with an outlook of ensuring cost effective purchase. In this case the extra investment that needs to be done for CSR implementation is often termed to be an extra cost and makes the suppliers uninterested to implement CSR regularly. The large firms often can bear the cost of being socially responsible though being pressurized by buyers to keep the price intact because of their size and that is why they show a tendency to be more responsible where as small and medium enterprises often cannot bear the extra cost which influences them to be weak in implementing CSR and have weak CSR image. As majority of the firms belong to the small and medium enterprises category, so the industry is seen to be weak in implementing CSR and have weak CSR image.

   The 2nd tier suppliers specified that as they often supply according to the order provided by the 1st tier suppliers, so the 1st tier suppliers are responsible for ensuring CSR implementation scenario in the operation of the 2nd tier suppliers as the actions of the 2nd suppliers are supposed to influence the CSR image of the 1st tier suppliers. But as the 1st tier suppliers are mostly concerned with price of products and early delivery of the products, CSR implementation issues are often overlooked by both the parties. Those 2nd tier suppliers that are nominated by the buyers for the 1st tier suppliers to use for particular orders are often found to be implementing CSR issues for effectively as they are also monitored by the buyers periodically and if they do not portray a positive CSR image, they can lose their nomination.

    Buyers often pressurize the suppliers to supply products in shorter span of time. In that case to keep the buyers happy by delivering on time, suppliers often gives subcontracts smaller volumes of the order from the buyer to the smaller firms and do not monitor whether they are following the code of conduct of the buyer or implementing CSR. The buyers may not also know that though they have given their order to a firm that shows positive CSR image may also process portion of their order in smaller firms that may not have any CSR image. Moreover, the suppliers of Bangladesh ready-made garments industry exporting products to the best brands of the world do not have positive relationship among them to help each other to improve their CSR implementation capacity as well as their own CSR image and the CSR image of the industry.

5. Findings

    From the interviews with the two major European buyers and interviews and observation of the 1st and 2nd tier suppliers of Bangladesh ready-made garments industry, it is clear that both the two buyers as well the suppliers understand that CSR implementation is important for the sustainability of the supply chain. The buyers monitor and control CSR implementation of the suppliers by CSR audits. The CSR implementation cost of the suppliers is not often shared by the buyers. Continuous pressure of the buyers to make the shipment on time allows the suppliers to think about making the shipment on time and giving priority to the quality of products rather than implementing CSR. The suppliers also have a weak control and monitoring system of CSR implementation within their own factories as well as the factories of the 2nd tier suppliers and factories they use for subcontract. The suppliers are still happy following the code of conduct of the buyers rather than developing their own CSR image. Whereas, buyers want them to develop their own CSR image rather than acting as followers of code of conduct. Based on the insights from the buyers and the suppliers on the role of CSR implementation on company image, the following model has been developed.
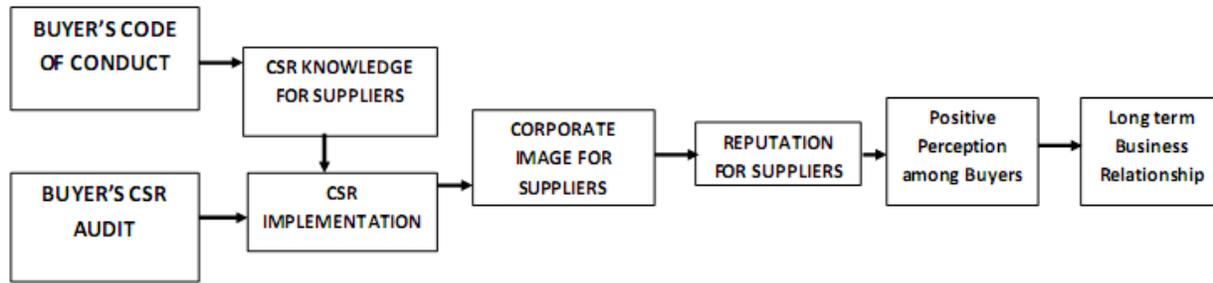
Figure 2: Model of the effect of CSR implementation on image, reputation and sustainability

In the above model it can be seen that in Bangladesh garments industry CSR implementation is influenced by buyer's CSR audit and CSR knowledge which is influenced by buyer's code of conduct. CSR implementation often allows the suppliers to get a rank from the buyers. By implementing CSR regularly in the operations management as well as following the improvement actions on the implementation of CSR referred by the buyers based on the CSR audits, the suppliers receive better ranks from the buyers that leads to CSR image and eventually results in positive reputation for the suppliers in the long term. Positive reputation induces positive perception in the mind of the buyers which eventually results in long term business relationship affecting sustainability of the supply chain.

By focusing on the two major European buyers and their 1st tier and 2nd tier suppliers from Bangladesh as part of the global supply chain for offering apparels for end users in Europe, this study showcases the that CSR implementation is pretty much governed by the initiatives taken by the buyers and their periodic evaluations. The buyers give priority to CSR implementation and uses CSR image as an indicator for choosing suppliers and having long-term business relations with them. This study also points out that the Bangladesh ready-made garments suppliers understands that CSR image is an indicator for their sustainability but there are some major challenges that are affecting their capacity of CSR implementation. The four major challenges that has been identified as hindrance to improvement of CSR image are: (1) only following corporate code of conduct instead of taking self-driving initiatives to create CSR image (2) the internal use of code of conduct is limited to "papers on the wall" instead of taking CSR implementation seriously and advocating it to employees (3) competence barriers of CSR implementation with weak internal/external communication (4) weak compliance and communication between other suppliers.

6. Conclusions and implications

CSR is an umbrella term that encompasses various overlapping areas, such as corporate citizenship, stakeholder theory, business ethics, and corporate sustainability (Freeman & Hasnaoui, 2011). This research study discusses the role of CSR as an influencing factor for positive corporate CSR image that enables suppliers of Bangladesh garments industry to create positive perception in relation to stakeholders. Based on the findings, it is suggested that suppliers need to improve in the following areas for inducing changes in their corporate CSR image: (1) initiate education and measures to improve the employees' understanding and importance of CSR; (2) develop a corporate culture to give priority in building positive CSR image; (3) develop link with educational institutions for educating middle managers on CSR and its effect on corporate CSR image that results in positive reputation;(4) arrange short trainings for

new workers to make them understand the concept of CSR and educate them on their own responsibilities as part of the organization (5) establish platforms for sharing knowledge between suppliers for transforming themselves into becoming sensible and responsible to ensure positive CSR image .

7. Biography

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