Social Sustainability implementation in the Bangladeshi Apparel Industry: Isomorphism, Diffusion, Decoupling and change in Institutional Logics due to Environmental Shocks

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Abstract
Most social sustainability studies are from the developed country buying firm perspective and lack theoretical underpinning. We examine the implementation of social sustainability in the apparel industry of Bangladesh using institutional theory, investigating how institutional pressures exerted by actors, e.g. developing country suppliers, NGOs and trade bodies, impact the diffusion of socially sustainable practices; and, how changes in institutional logics affect implementation. Preliminary findings reveal, for example, that conflicts between the social and (traditionally dominant) economic logic impact implementation. Although the economic logic is still prevalent, the social logic is gaining in importance, leading to more effective diffusion of practices.

Keywords: Social Sustainability, Apparel Supply Chain, Institutional Theory.

Introduction
On the 24th of April 2013, the Rana Plaza building that housed five Bangladeshi apparel factories making clothes for Western brands collapsed, killing 1,129 people. This was by far the deadliest disaster in the history of the apparel industry and followed shortly after the November 2012 fire at the Tazreen factory – also supplying major Western buyers – that killed approximately 110 workers. Tragic events such as these have led to increased public scrutiny, with Western buying firms being increasingly held responsible for the social sustainability of their upstream supply chain partners. Adverse publicity as a result of socially unsustainable practices has caused lasting damage to brands and revenues; and, it has created increased stakeholder expectations – exerting pressures on Western apparel buying firms to have acceptable supply chain-wide social sustainability standards (Klassen and Vereecke, 2012).

The environmental aspect of sustainability has been studied extensively, but the social discourse has only recently joined the mainstream supply chain management literature (Carter and Rogers, 2008). Even though social sustainability becomes a more critical management concern when dealing with distant developing country suppliers, most previous
studies have been conducted in the context of developed country buyers (Ehrgott et al., 2011). Very few contributions have incorporated multiple stakeholders and, surprisingly, studies accounting for the views of developing country suppliers and their workers are even more scarce. There is a knowledge gap concerning how institutional actors influence the extent of a firm’s pursuit of social sustainability and exert institutional pressures, especially in response to environmental shocks or jolts, such as the aforementioned Tazreen factory Fire and Rana Plaza collapse. There is also a gap concerning how environmental shocks impact the dominant logics and decision making practices in a given context.

In response to the clear practical and academic importance of this topic, we propose the following research questions:

RQ1. How are the key institutional actors in the apparel industry exerting pressures on: (a) suppliers, to diffuse socially sustainable practices into their organisations; and (b) buyers, to diffuse socially sustainable practices into their relevant supply chains.

RQ2. How are the institutional logics in the apparel industry changing in response to environmental shocks and affecting the implementation of social sustainability in the apparel industry?

Institutional Theory

Institutional theory provides an overarching framework to guide how organisations respond to a combination of both internal and external pressures from actors within their institutional field or environment; and, as the pattern of conducting socially responsible business evolves, organisations converge on a set of homogeneous business practices (Dimaggio and Powell, 1983, Grewal and Dharwadkar, 2002, Zsidisin et al., 2005). Much like a legal precedent, this will eventually become the legitimate way of organising a socially sustainable supply chain (Meyer and Rowan, 1977, Zucker, 1987). Institutional theory asserts that these so-called isomorphisms occur through mainly normative, coercive, and mimetic pressures (Dimaggio and Powell, 1983, Grewal and Dharwadkar, 2002), as described below.

Coercive pressures are those exerted by powerful organisations within the network, alongside cultural or societal pressures. Mimetic pressures occur when an organisation, due to uncertainty, mimics the actions of successful competitors in the industry. Finally, normative pressure is associated with professionalisation, primarily the growth of formal education and professional networks (Dimaggio and Powell, 1983, Scott, 1987). A wide range of actors are likely to influence the creation of new types of institutions, comprising of critical exchange partners, such as buyers, suppliers, shareholders, regulatory organisations, professional and trade associations, special interest groups, the general public and customers, to even socio-economic norms and belief systems (Dimaggio and Powell, 1983, Eisenhardt, 1988, Hoffman, 2001, Scott, 2008).

Even though institutional theory has been identified as a valuable tool for OM research (Ketokivi and Schroeder, 2004) – offering important insights into the adoption of various SCM practices (Kauppi, 2013) – empirical work that adopts it is virtually absent in sustainable SCM (Zhu and Sarkis, 2007). Institutional theory asserts that firms adapt and may implement new initiatives to gain legitimacy within society itself (Boxenbaum and Jonsson, 2008). Institutional analyses may answer questions about how social choices are fashioned, facilitated and directed. Researchers have underlined the significance of social interconnectedness within institutional theory: “institutionalization is better viewed as the social process by which individuals come to accept a shared definition of reality” (Scott, 1987, p. 496).

Pressures to be socially sustainable are now originating from a complex and expanding web of constituents, including NGOs, trade associations, trade unions, competitors, investors,
governments, local communities and the media – particularly the internet – each of which is altering the definitions of legitimate socially sustainable behaviour. When such multiple interest groups have a stake in defining legitimate corporate action, it becomes a central concern for managers to develop appropriate corporate strategy, especially during periods of change, instability, and uncertainty (Hoffman, 2001). This is increasingly important in the apparel industry at this time, as the industry is in a state of flux, and resides at the cross-roads of its journey towards greater sustainability. After recent high profile social failures, which we refer to as triggering events, the ‘eyes’ of the world are on the developed world’s buyers and their suppliers. They need to be seen to be responsive to the interests of external social actors in order to gain legitimacy amongst their current and future stakeholders.

The institutional field is establishing new socially sustainable standards, and the emergent institutions – both in terms of developed world buyers and third-world suppliers – will need to reflect on these evolving perceptions in their core business strategy in order to be viewed by external parties as complying or exceeding in terms of their social sustainability. This means firms must devote increasing resources towards social sustainability initiatives in a way that also simultaneously satisfies their economic objectives (Porter and Kramer, 2011). Thus, by adopting institutionally defined socially sustainable policies, both the buyer and supplier firms will be able to create legitimacy to operate in the eyes of their external stakeholders.

Isomorphism and Decoupling
Institutions can be defined as ‘historical accretions of past practices and understandings that set conditions on action through the way in which they gradually acquire the moral and ontological status of taken-for-granted facts which, in turn, shape future interactions and negotiations’ (Munir and Phillips, 2005, p: 1668). Institutionalization is the process by which a pattern of action becomes the norm and becomes embedded in an organisation, or in the industry, or society (Green, 2004). A central idea of institutional isomorphism is that as more and more organisations conform to socio-cultural prescriptions to gain legitimacy, it leads to the diffusion of socially rationalised organisational practices in that field (Meyer and Rowan, 1977, Dimaggio and Powell, 1983). However, more recent research using institutional theory has found that institutional pressures do not always lead to isomorphism – in some cases they can lead to heterogeneous responses (Bala and Venkatesh, 2007, Bhakoo and Choi, 2013), which can be in various forms including compromise, avoidance, defiance and manipulation (Oliver, 1991). Others like Meyer and Rowan (1977) have suggested that, sometimes, firms respond to institutional pressures through only a superficial conformity, i.e. a firm might formally adopt a practice, but within the organisation the actual practices are not implemented. This ‘decoupling point’ arises when adaptations to institutional pressures contradict internal efficiency needs (Meyer and Rowan, 1977) or because firms fail to consider local circumstances and practical realities (Scott, 2008). Although the phenomena of decoupling is a well-recognised organisational response (Boxenbaum and Jonsson, 2008), according to Greenwood et al. (2011) more in-depth scrutiny is required, particularly on the motivations behind decoupling, on the conditions under which organisations can continue to decouple their structures from their practices and on the longer-term implications of decoupling.

Institutional Logics and Environmental Shocks
A relatively new approach to institutional theory is the institutional logic method of analysis, which helps us understand the influences of societal-level culture on the cognition and behaviour of individual and organisational actors (Dimaggio, 1997). Alford and Friedland (1985) were the first to coin the term ‘institutional logics’ and conceptualised it as a set of
material practices and symbolic constructions that constitute an institutional order’s organising principles that are available to organisations and individuals to elaborate (Friedland and Alford, 1991). Thornton and Ocasio (1999, p. 804) further refined the definition as “the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organise time and space, and provide meaning to their social reality”. Thus, logics provide a means of understanding the social world and prescribe guidelines on how to function in it in order to gain legitimacy from institutional actors (Greenwood et al., 2011).

Society is constructed of several institutional logics that are symbiotic and yet also contradictory (Friedland and Alford, 1991, Greenwood et al., 2011). For example, western societies are said to be comprised of six major societal sectors: the market, the corporation, the professions, the family, the religions, and the state (Friedland and Alford, 1991). Organisational fields are rarely subject to a single dominant logic and typically face multiple logics that may be in competition if not in conflict (Friedland and Alford, 1991, Thornton et al., 2005, Lander et al., 2013). This new approach differs from a traditional isomorphism approach by highlighting that institutional pressures can lead to heterogeneous responses when contending logics co-exist (Thornton and Ocasio, 2008). For example, the logics of science, i.e. open publication and the pursuit of knowledge and commercial logics i.e. exploitation of research results exist together in university academic science departments but promote different behaviours (Greenwood et al., 2011). Similarly, in accounting firms there exists the professional logic where the emphasis is to protect public interest by verifying the legitimacy of client financial statements and the commercial logic of profit maximisation, which under certain conditions might result in conflicting actions (Thornton et al., 2005). The institutional logic approach helps explain how separate fundamental societal belief systems affect the cognition and behaviour of individuals and organisations (Tan and Wang, 2011); and, conversely, how institutional logics change over time, influenced by economic and social structural changes (Thornton and Ocasio, 1999).

The traditional focus, while using the institutional theory lens, has been on explaining organisational similarities based on institutional conditions. But, more recently, the emphasis has been on the role of institutional actors in transforming institutions (Lawrence and Suddaby, 2006). Of particular interest is the concept of institutional entrepreneurs, introduced by DiMaggio (1988) and referring to individual and organisational actors that command key strategic resources or other forms of power to influence institutionalized rules. According to Beckert (1999), these entrepreneurs have significant influence on the evolution of institutions by using their resources to support existing institutions or by destroying established taken-for-granted rules, since they are reflective and can envision alternate and more profitable actions. When contradictory logics exist simultaneously and the dominant institutional logic does not comprise an efficient solution for the organisation, it might lead to a decoupling of practices (Meyer and Rowan, 1977). Incompatible prescriptions from multiple institutional logics can also lead to institutional tension and complexity (Thornton et al., 2005, Greenwood et al., 2011). In such situations, self-interested institutional entrepreneurs are able to exploit old logics and create new ones, eventually triggering institutional changes (DiMaggio, 1988). Environmental jolts or significant historical events can also cause a shift or de-legitimise pre-existing institutional logic structures (Thornton et al., 2005), thereby creating opportunities for institutional entrepreneurs to re-evaluate the costs and benefits of existing institutional practices (Sine and David, 2003). Therefore, we can argue that environmental shocks caused by the Tazreen Fire and the Rana Plaza collapse in the Bangladeshi apparel industry will act as catalysts for such institutional change.

We have already validated through initial exploratory interviews two separate institutional logics within the phenomenological experience of multiple stakeholders in the apparel
industry. The first is the desire to maximise profit, which we refer to as the economic logic; the second logic – often in opposition to the first – is the imparted need to improve social standards right through the supply chain. Based on our interviews and historical research, relevant stakeholders described that, following the many earlier sweatshop scandals in the 1980s and 1990s (e.g. Nike), buyers came under pressure from the media, NGOs and governments to improve social standards in their suppliers, which led to the formation of the social logic. The key institutional actors that are likely to play a prominent role in the diffusion of socially sustainable practices in the apparel sector are illustrated in Figure 1.

Methodology: Multiple Case Study Research
An extensive longitudinal study has been undertaken in Bangladesh, renowned for its importance to the apparel industry. Interviews were conducted in three rounds, between 2011-2013, which improved the focus of the research and allowed for follow-up questions to be asked (Van Teijlingen and Hundley, 2001, Bryman and Bell, 2007). Longitudinal data was collected before and directly after the Tazreen fire in November 2012 – the minor environmental shock, and after the Rana Plaza collapse – the major environmental shock, in April 2013. A multi-case study approach covering the perspectives of multiple stakeholders, including Bangladeshi suppliers, developed countries buyers, trade bodies, workers, Non-Governmental Organisations (NGOs) and trade unions was adopted.

The primary mode of data collection was through interviews. Other methods employed included factory tours and secondary data collection, e.g. from audit reports and relevant news articles. To date, face-to-face semi-structured interviews have been conducted across:
• Twelve Bangladeshi apparel manufacturers that export to Europe & North America; plus the Bangladeshi offices of six major UK, US and European brand retailers and one major
US Supermarket Retailer with annual apparel, with sales ranging from £2.4bn to £12.3bn (in 2011).

- Other institutional actors interviewed include managers from trade associations, NGOs and trade unions.
- Two worker focus group discussions were also conducted.

Many prior studies have identified individual actors and organisations, such as governments, trade associations, suppliers, NGOs and employees as being critical to the process of adopting organisational practices (Hoffman, 2001). But few studies to date have empirically collected a composite analysis of the field-level effect (Kauppi, 2013). In response, we will look to combine organisation-level analysis with industry level analysis. We consider the apparel industry to refer to all central actors in the field, including; suppliers, buyers, competing firms, regulators, consumer groups and policy makers. In examining RQ1, the unit of analysis is the buyer and supplier organisations and this core set of cases is supplemented by evidence from the other stakeholders, NGOs, trade unions & trade bodies.

In the second phase, while investigating RQ2, we will build on and link the individual analyses that exist, and in doing so, the apparel industry becomes the composite unit of analysis. The application in context helps us to understand how that particular industry’s logics affect the diffusion of socially sustainable practices. The industry is considered to be a relevant boundary for identifying institutional logics since industry actors develop common identities and values that structure social and economic practices, thereby constituting commonly understood sets of actions (Thornton and Ocasio, 1999). The interaction of institutional logics can be focused at the societal level, but the emphasis of this research is on how institutional logics have changed at the industry level due to recent external environmental shocks. More specifically, it centres on conducting industry level empirical research to highlight any shift in institutional logics over time.

Initial Findings

**RQ1: Key Institutional Pressures leading to Diffusion of Social Sustainability**

Some of our initial findings on the key institutional pressures leading to social sustainability implementation show that coercive pressures include those by buyers, media, end customers, NGOs, trade unions, workers and the government. Most prominently, pressure has been imposed by buyers who now make it mandatory for suppliers to reach certain social standards in order to be considered for a contract. The buyers themselves are influenced by other stakeholders – like the media and the expectations of end customers, e.g. in Europe and the US. In contrast, lesser roles have thus far been played by the government and the enforcement of regulations has been slack due to the corruption of the government’s labour agency.

Mimetic pressures on suppliers include competition for orders and skilled labour. For example, the Managing Director of Supplier 2 stated that: “As an industry, we have a tremendous shortage of workers ... If we are not socially compliant, the workers won’t come to our factory or we won’t retain them. Competition to get workers amongst the factories is forcing us to be compliant”. Surprisingly, there are repeated incidences of negative pressures being exerted by competitors on the suppliers who are leading the field in social sustainability implementation to refrain from doing more than the norm that exists in their local industrial belt.

Finally, more educated personnel, an increased education level of owners/managers, and the continuous development of trade bodies are leading to increased normative isomorphism. For example, BGMEA (Bangladesh Garment Manufacturers and Exporters Association), the
main Bangladeshi apparel trade body, is playing a growing and influential role by inspecting suppliers to ensure that children are not employed in the factories and they also run workshops to help suppliers improve their social standards. Gradually, a better trained workforce, able to deal with social compliance is being created, while a more educated second-generation of entrepreneurs/managers is coming into the industry. This is resulting in a more positive attitude towards social issues within the Bangladeshi apparel business community, and beyond.

RQ2: Change in Institutional Logics in Response to Environmental Shocks
As indicated by our interviews and the trade literature, the traditional ideology of the industry was founded on the economic logic of maximising profits via cheaper labour and capital costs, but now, the social logic is gaining in prominence. Our findings show that there have always been conflicts between these two logics, even prior to recent catastrophic events, which, historically have affected the diffusion of socially sustainable practices. Furthermore, before the Rana Plaza disaster, the clear prevalence of the economic logic was exemplified by comments by Supplier 2’s Deputy Managing Director: “It is a buyer’s market ... buyers are taking advantage of price wars between supplier factories. But if they buy cheap from Bangladesh, then the benefits to the workers and society will also be cheap.” He claimed that by failing to share costs or increase retail end-user prices, buyers were not considering the long term viability of the suppliers or, indeed, how improved standards could be maintained. Yet Buyer 1’s Supply Chain Manager felt that the prices they were paying were fair and could lead to improvements in social sustainability that could also allow suppliers to be economically sustainable. He questioned: “If they are not making a profit, then how are they running their factories?” Benefits in terms of greater bargaining power were reported by Supplier 4, but even this supplier complained about having to bear the costs of implementing social sustainability.

The interplay of institutional logics have not been analysed previously in global supply chains, where the added complexity of dealing with different socio-cultural setting arise, for example. The evidence from the case studies show that the home grown institutional logics of Western buyers does not align with those of developing country suppliers. Our findings demonstrate that in such complex settings, the successful diffusion of social sustainability in the SC depends upon conflicting industry logics, e.g. social logic dictates that child labour should be removed; but the removal of child labour from apparel suppliers has not only resulted in a loss of earnings but has simply diverted it to other, less regulated and more hazardous industries like the construction industry. Therefore, in terms of the diffusion of social sustainability, such initiatives don’t always provide the intended result. There are many instances of these type of trade-offs, not only between dimensions of social sustainability e.g. economic vs. social, but also within single dimensions, e.g. social vs. social.

Conflicting logics – such as described above – between buyers and suppliers in the apparel supply chain lead to heterogeneous responses to institutional pressures and increase the tendency to decouple. For example, we have found evidence that most firms are only superficially abiding with institutional pressures to be socially sustainable. For example, the Deputy Managing Director of one supplier stated: “Buyer 4 [a major US Supermarket retailer] only allows 8-hour shifts with 2 hours overtime per day. But it is not possible to conform to this standard in the peak season and workers want more overtime as they get double the basic rate. If we only gave the workers 48 hours of overtime per month, they would leave and go elsewhere ... So, unfortunately, we have to maintain 2 timesheets. The buyer and its auditors are aware of this but decide to turn a blind eye.” One set is shown to buyers/auditors, which complies with regulations; and one is used to pay workers. It was also claimed in suppliers 2 and 4 that the workers participate in this mock compliance willingly as
it is in their interests if they want to retain overtime. This tendency is more evident among reluctant late adopting businesses, rather than proactive early adopters, indicating heterogeneous responses.

Our analysis further shows that in terms of social sustainability implementation, the environmental shocks are motivating institutional entrepreneurs to reformulate current institutional logics and thus foster institutional change. Even though the economic logic still dominates, there is evidence that the environmental shocks or jolts have caused a significant change in social structures and economic forces; and the social logic – with its emphasis on taking care of the society in which the firm operates in such a way that future generations are not negatively affected – is gaining in importance, leading to better diffusion of social sustainability in the apparel supply chain.

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**Figure 2 – Implementation of Socially Sustainable practices: Isomorphic Pressures, Diffusion, Decoupling & change in Institutional Logics due to Environmental Shocks**
Conclusion
Most prior studies on social sustainability have been in the context of developed countries, and focused, almost exclusively, on the perspective of the buying firm. This research contributes to the available literature, for example, by adding to our understanding of the developing country supplier perspective; dyadic relationships have also been investigated. We also explored the viewpoints of other stakeholders, both internal to the supply chain and beyond. We have used institutional theory in the field of social sustainability, where theoretical lenses have thus far been used sparingly. The research remains ongoing, but institutional theory is proving to be a useful lens for understanding the diffusion of social sustainability practices.

Once complete, this research is expected to provoke further work that builds on our intended contributions. In summary, our research: is a study of a complex supply network in a dynamic, global environment; employs multiple stakeholder perspectives; is a longitudinal study conducted in a challenging developing country context; is theory-driven research; topical and not only practically important for managers but also of social importance to multiple stakeholders. Currently, we are unpacking and analysing the data by transcribing each case and coding the dataset with the support of qualitative data analysis software (NVivo).

References
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