Multinational Enterprises, Employee Safety and the Socially Responsible Supply Chain: The Case of Bangladesh and the Apparel Industry

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ABSTRACT

This article address the issue of employee safety and the social responsibility of multinational apparel retailers who contract with Bangladesh manufacturers in their global supply chain. Both the Alliance for Bangladesh Worker Safety and the Accord on Fire and Building Safety in Bangladesh have been identified as the two primary facilitators for global apparel industry efforts to actively address this serious human rights issue; thus, they have the potential to help drive the success of the industry's corporate citizenship efforts to successfully manage the issue of fire and building safety in Bangladesh. The article further explores these relationships within the context of the "global corporate citizenship" concept, and develops a rationale for the limits of a socially responsible supply chain. In the context of global corporate citizenship, the

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article describes the existing state of these two industry organizations remediation efforts to ensure a stable supply chain in Bangladesh, and offers an analysis of existing industry nonmarket strategy approaches to improving contractor's factory fire and building safety environments for their employees. Lastly, a comprehensive set of nonmarket strategies for multinational apparel retailers is recommended when addressing their global corporate citizenship commitments to a safe working environment for Bangladesh garment manufacturing employees.

On April 24, 2013, Rana Plaza, an eight-story commercial building containing an apparel manufacturer, a bank, apartments, and several smaller shops, collapsed in the sub-district of Savar, in the Greater Dhaka Area of Bangladesh (Rahim 2016). After "stress factors" were discovered in the building's infrastructure, the bank and the shops immediately closed their operations; the apparel manufacturer, however, ordered its employees to return to work the following day. Official warnings to avoid occupying the building were ignored by the apparel company owners of the illegally built factory, and the building collapsed that morning after the building's generators were started up during a blackout (Paul and Quadir 2013), resulting in 1,129 people killed and 2,515 injured (Alam and Hossain 2013; Butler 2013). The Rana Plaza tragedy is considered by many observers as the most lethal apparel industry accident in history (BBC News 2013). Yet, according to the Clean Clothes Campaign, an Netherland's-based anti-sweatshop advocacy group, it was preceded by more than 500 Bangladeshi apparel industry workers having died in factory fires since 2006 (Bajaj 2012), not including the Tazreen Fashions Ltd. factory fire on November 24, 2012, in Dhaka, the nation's capital, where at least 117 people were confirmed killed and over 200 injured (Ahmed 2012).

The textiles and apparel industry holds an important place in Bangladesh's developing economy (Rahim 2016). This industry is a major source of economic growth and exports of textile and apparel goods account for the primary source of the country's foreign exchange earnings (Perlot 2008). Bangladesh ranks behind China as the world's second largest apparel exporter, with ready-made

garments (RMGs) accounting for 80 percent of the country's $24 billion in annual exports and 20 percent of the nation's gross domestic product (GDP) (Islam, Khan, and Islam 2013; International Finance Corporation 2014a). By 2013, approximately 4.2 million people—overwhelmingly women—were employed in the country's $19 billion a year textile and apparel industry, making up 45 percent of all industrial employees working in more than 4,500 factories (International Finance Corporation 2014a; Islam et al., 2013; Paul and Quadir 2013). Bangladesh factories supply approximately 60 percent of its textile and apparel goods to European markets, with the remaining 40 percent exported to the United States (Paul and Quadir 2013). About 95 percent of textile factories in Bangladesh are owned by local companies or families, with the remaining 5 percent being foreign-owned (Textile Intelligence 2003).

The international furor generated from the Rana Plaza tragedy has resulted in the establishment of two industry organizations formed by multinational enterprises, in this case multinational apparel retailers and manufacturers, whose purpose is to constructively address the often lethal problem of employee safety in textile and apparel factories in Bangladesh. These two organizations—the Alliance for Bangladesh Worker Safety and Accord on Fire and Building Safety in Bangladesh—are both focused on an industry-level, nonmarket strategy approach to developing and implementing financing mechanisms for Bangladesh's apparel factories. Their mutual end goal is raising fire safety and building structural standards up to state-of-the-art code for the overwhelmingly contractor-owned suppliers operating in the multinational apparel retailers' global supply chain (Al-Mahmood 2014). Also, the two industry organizations have developed different financing approaches to remediating the apparel factory fire and building safety issue.

In this article, we address the issue of employee safety and the social responsibility[1] of multinational apparel retailers who contract with Bangladesh manufacturers in their global supply chain. Both the Alliance for Bangladesh Worker Safety and the Accord on Fire and Building Safety in Bangladesh have been identified as the two primary facilitators for global apparel industry efforts to actively address this serious human rights issue; thus, they have the potential to help drive the success of the industry's corporate

citizenship efforts to successfully manage the issue of fire and building safety in Bangladesh.

We further explore these relationships within the context of the concept of "global corporate citizenship"[2] and, in considering the recent developments in applied research on business and human rights, develop a rationale for the limits of a socially responsible supply chain, a challenge which remains under-researched in developing economies (Azmat and Ha 2013). In the context of the concept of global corporate citizenship, we describe the existing state of these two industry organizations' remediation efforts to ensure a stable supply chain in Bangladesh, and offer an analysis of existing industry nonmarket strategy. These challenges are industry-wide and within the realm of nonmarket strategy (i.e., social, political, and regulatory in nature) (Baron 2013). We therefore focus on nonmarket strategies of multinational firms within these value chains because of the nature of the fire and building safety challenges faced by major global apparel brands in Bangladesh. Lastly, we recommend a comprehensive set of nonmarket strategies for multinational apparel retailers to consider when addressing their global corporate citizenship commitments to a safe and humane working environment for Bangladesh garment manufacturing employees.

GLOBAL CORPORATE CITIZENSHIP

The concept of "global corporate citizenship" is a 21st century social construct which has been developed as a result of the rapid globalization of commerce in the latter decades of the 20th century. James E. Post argues that global corporate citizenship, like global business, is about values (Post 2000, p. 8; Post 2002, p. 144):

> Global corporate citizenship is the process of identifying, analyzing, and responding to the company's social, political, and economic responsibilities as defined through law and public policy, stakeholder expectations, and voluntary acts flowing from corporate values and business strategies. Corporate citizenship involves actual results (what corporations do) and the processes through which they are achieved (how they do it).[3]

Other scholars have initiated major research programs involving private sector "citizenship" at the global level. For example, Logsdon and Wood (2002, p. 171) have introduced their concept of "global business citizenship," which is built on a moral foundation of a limited number of universal ethical principles (or "hypernorms"); a wide range of cross-cultural variations, with some acceptable and others not; and a "moral free space" in which norms and applications are yet to be developed (see also Pies et al. 2010; Wood, Logsdon, Lewellyn, and Davenport 2006). Moreover, Thompson (2005) and Logsdon and Wood (2005) further developed the concept of global corporate citizenship building on a theoretical foundation in voluntary self-regulation regimes, specifically corporate codes of conduct. Rahim (2016) extended this concept by referring to the "new governance" approach to laws as one that ties sociological conditions to business regulations. The impetus behind Rahim's approach is to empower stakeholders to play a role in shaping policies affecting regulation of firms involved in the supply chain (e.g., including legal assurances for bounty hunters' rights and laws to protect whistle blowers).

Likewise, Crane et al. (2008, p. 171) addressed global corporate citizenship through their analytic prism, consisting of four major perspectives of "cosmopolitan citizenship' ("cosmopolitanism" is defined as "beyond the narrow confines of one nation-state to embrace the world or cosmos"), which includes "legal cosmopolitanism," "political cosmopolitanism," "transnational communities," and "post-nationalism." According to Crane et al. (2008, p. 171), a major reason "for the rise and enforcement of cultural notions of citizenship is, in fact, that traditional reference frames for citizenship have been eroded by globalization."

Further, Klaus Schwab (2008, p. 108), founder and executive chairman of the World Economic Forum, an international economic organization of government, business and nongovernmental organizations—including 1,000 of the world's top global enterprises—added to Post's (2000) definition of global corporate citizenship by stating:

> It [global corporate citizenship] expresses the conviction that companies not only must be engaged with their stakeholders but are themselves stakeholders alongside governments and

civil society. . . . Because global citizenship is in a corpora-
tion's enlightened self-interest, it is sustainable. Addressing
global issues can be good for both the corporation and for
society at a time of increasing globalization and diminishing
state influence.

Concerted industry efforts at operationalizing the concept of
global corporate citizenship occurred early in the new millen-
nium. In January 2002, the World Economic Forum initiated its
ongoing "Corporate Global Citizen Initiative" with the issuance of
the joint statement ("Global Corporate Citizenship: The Leadership
Challenge for CEOs and Boards") of a task force of over 40 World
Economic Forum CEOs in partnership with the Prince of Wales
International Business Leaders Forum. In this statement, a
Framework for Action was endorsed which includes three major
business practice principles to guide multinational enterprises
(World Economic Forum 2002, p. 2):

• First and foremost, our companies' commitment to being global
  corporate citizens is about the way we run our own businesses.
• Second, our relationships with key stakeholders are fundamen-
  tal to our success inside and outside our companies.
• Third, ultimate leadership for corporate citizenship rests with us
  as chief executives, chairman and board directors.

With "global corporate citizenship" anchored in the mission of
the World Economic Forum, Oleszcuk (2013) notes that tech gi-
ants like HP or Xerox, financial corporations like Morgan Stanley,
and an increasing number of global companies have their own
corporate global citizenship programs. In the United States,
Corporate Responsibility Magazine has been compiling a ranking
of the "100 Best Corporate Citizens" for 18 years, with the most
recent study released in 2017 (Strauss 2017). Moreover, Boston
College's Center for Corporate Citizenship released its "2017 State
of Corporate Citizenship" study (the first such study was under-
taken in 2003) (Smith 2017). According to Katherine V. Smith
(2017), executive director of the Center for Corporate Citizenship,

"[o]ver the past 14 years, we've seen executives come to fully appreciate the vital role that corporate citizenship plays in achieving key business goals."

Based on their study of several hundreds of corporations, Mirvins and Googins (2006; also see Googins, Mirvis and Rochlin 2007; Mirvis and Googins 2009) have proposed a five-stage model describing the organizational evolution of corporate citizenship for a firm (see Table 1). This corporate citizenship model consists of seven identifiable dimensions, including: definition and actions making up of corporate citizenship; strategic intent (purpose and intended achievements); degree of leadership support; organizational structure of the corporate citizenship function; issue management response; level of stakeholder engagement; and public performance transparency.[4]

Moreover, the "Stages of Corporate Citizenship" model consists of the following five stages of managerial philosophic evolution: Stage 1, *Elementary*, is characterized as "episodic" and such corporate citizenship programs are "underdeveloped"; Stage 2, *Engaged*, is where executive management "wakes up" and embraces "a new outlook on their company's role in society"; Stage 3, *Innovative*, is where management deepens its corporate citizenship agenda as top management "assumes more of a stewardship role"; Stage 4, *Integrated*, involves an attempt "to integrate citizenship from top-to-bottom and throughout its businesses"; and Stage 5, *Transformative*, the ultimate stage, is concerned with the "strategic intent" of management "to create new markets by fusing their citizenship and business agenda."

Companies embracing the corporate citizenship concept engage in increasingly complex and sophisticated patterns of organizational activity as they progress through each stage of the model. The global corporate citizen concept has emerged as the 21st century approach to social responsibility embraced by executives of multinational enterprises, and by such peak industry-oriented organizations such as the World Economic Forum. Consequently, this model is useful for framing a public issue, specifically as to the global impact of company or industry policies on their stakeholders, including within the socially responsible supply chain.

TABLE 1 The Stages of Corporate Citizenship

	Stage 1 Elementary	Stage 2 Engaged	Stage 3 Innovative	Stage 4 Integrated	Stage 5 Transforming
Citizenship content	Jobs, profits and taxes	Philanthropy, environmental protection	Stakeholder management	Sustainability or triple bottom line	Change the game
Strategic intent	Legal compliance	License to operate	Business case	Value proposition	Market creation or social change
Leadership	Lip service, out of touch	Supporter, in the Loop	Steward, on top of it	Champion, in front of it	Visionary, ahead of the pack
Structure	Marginal: staff driven	Functional ownership	Cross-functional coordination	Organizational alignment	Mainstream business driven
Issues management	Defensive	Reactive policies	Responsive programs	Pro-active, systems	Defining
Stakeholder relationships	Unilateral	Interactive	Mutual influence	Partnership	Multi-organization alliances
Transparency	Flank protection	Public relations	Public reporting	Assurance	Full disclosure

Note: Mirvins and Googins (2006, p. 108).

SOCIALLY RESPONSIBLE APPROACHES TO SUPPLY CHAIN MANAGEMENT

The social aspects of unsafe working conditions in the global supply chain is something that was grossly overlooked in the most recent tragedies in the Bangladesh apparel industry. Supply chain management researchers have in recent years offered novel approaches to addressing the issues affecting socially responsible global supply chain.

Supply chain scholars Wieland and Handfield (2013, p. 24) recommended a simple solution: avoid sourcing countries or regions with low social standards. However, they also offered "a more balanced approach to supply chain thinking," one which includes not only consideration of labor costs, but also ensures the following socially responsible business practices: (1) establish a foundation of reliable and unbiased supplier/product audits; (2) offer visibility/transparency into supply chain events supported by mobile technology; and (3) create an environment of collaboration with the community, companies in the same industry, and local universities to drive education and change in the ecosystem. According to Wieland and Handfield (2013, p. 24):

> … executives can no longer afford to relegate CSR [corporate social responsibility] to the realm of happy smiling faces and pictures of green forests on their corporate websites. Instead, a socially responsible supply chain strategy needs to be established by any organization doing business in these areas of the world. This requires *new targets and a different view on governance* [emphasis added].

In their study, supply chain scholars Pagell and et al. (2014) employed an exploratory approach using qualitative methods applied to a sample of 10 case studies across nine company manufacturing and distribution facilities representing multiple industries (although not apparel manufacturing) in Ontario, Canada. The authors found that it is possible for companies to develop joint management systems that simultaneously measure, control, and improve both safety for their employees and manufacturing and distribution operations. However, this outcome is predicated on an organizational culture that is committed to a safe working

environment, is disciplined in its implementation, and has an accident prevention focus. Moreover, it also requires that the managers responsible for direct work performance are also responsible and held accountable for working safely. While there are issues of generalizability to less developed economies and global supply chains, Pagell and et al. (2014) show in their research that it is possible to create business model that combines safe and productive manufacturing and distribution workplaces.

Haque and Azmur (2015) recently identified contemporary issues (including occupational health and safety, fair pay, legal aspects, social welfare/work-life balance, labor rights, the environment, gender issues, and fair trade) associated with Carroll's (1991) corporate social responsibility (CSR) pyramid (incorporating economic, legal, ethical, and discretionary responsibilities) and investigated the "ready made garment" (RMG) industry in Bangladesh. In their study, supply chain scholars Haque and Azmur (2015) found that RMG manufacturers in Bangladesh have adopted business methods based on cost-cutting practices, which are at least partly attributable to the ever expanding phenomenon of economic globalization, and pose major, if not insurmountable, challenges to implementing CSR practices in the manufacturing portion of the global supply chain.

Haque and Azmur (2015) also argued that, although the RMG industry is primarily driven by the requirements of international buyers, the industry operates in developing countries (such as Bangladesh) and has multiple stakeholders, including manufacturing owners, the major apparel brands, apparel manufacturing employees, the public sector, nongovernmental organizations (NGOs) and civil society. This business operating environment has resulted in a systematic neglect of other major stakeholders, such as the garment workers, the community where the manufacturers operate and the natural environment. However, the literature has largely ignored the practical interaction between global corporate citizenship and multinational enterprise nonmarket strategy (Mellahi et al. 2016), particularly with regard to the socially responsible global supply chain.

Most recently, supply chain scholars Montabon et al. (2016) challenged the existing research and practice underpinning sustainable supply chain management over the last 30 years (e.g.,

Gao and Bansal 2013). This instrumental logic of the last 30 years underpinning both research and practice has had supply chain managers placing their financial interests ahead of environmental and social responsibilities. The authors view this instrumental logic as having two significant flaws. First, this logic is backward looking, in that it studies existing *unsustainable* supply chains to determine what they are doing to become less unsustainable, i.e., by incorporating appropriate responses to social and environmental issues. Second, while sustainable supply chain research is presumed to be focused on the entire chain and all its stakeholders, the reality is that it is usually conducted from *the perspective of a focal firm.* In response to these perceived deficits, Montabon et al. (2016) present their *Ecologically Dominant* logic approach in their study, which they argue is explicit in its priorities when confronted by trade-offs in operations management. This Economically Dominant logic, what the authors describe as a "nested hierarchy," is purposed at creating a truly sustainable supply chain consisting of multiple firms and not simply at reducing the harm from a single focal company. In summary, this prescriptive logic prioritizes environment and social issues before economic (financial) issues, and when trade-offs occur, the priority for management is to protect the environment first, then society, and lastly company profits, and can help future generations of supply chain managers to work with their stakeholders to create a future-oriented, sustainable supply chain in global commerce.

THE WORLD ECONOMIC FORUM AND THE SOCIALLY RESPONSIBLE GLOBAL SUPPLY CHAIN

In 2011, the World Economic Forum ("WEF") (2011), an international economic organization consisting of government, business and nongovernmental stakeholders, tasked its' Global Agenda Council on Logistics & Supply Chain Systems to begin work on a Supply Chain & Transport Risk Initiative ("Initiative") as an integral component of its global issues agenda. In 2013, the WEF (2013) released the Initiative's second phase, which defines priorities and clarifies specific actions to achieve greater unified supply chain resilience in an often politically unstable global business

environment. In 2014, the renamed Global Agenda Council on the Future of Logistics and Supply Chains began a two-year (2014–16) program focusing on the crucial relationship between major global purchasers and their local suppliers and respective governments. Also in 2014, the WEF (2014) noted in its "White Paper on Business Sustainability" that:

> … today, global retailers and manufacturers have a respon-sibility not only to their shareholders but also for the work-ing conditions and the environmental practices that occur throughout the entire supply chain. They have a duty to ensure that they are fully aware of their suppliers' environ-mental practices and working conditions, and take steps to comply with a globally acceptable standard.

In line with the research results of Wieland and Handfield (2013) and Haque and Azmat (2015), the World Economic Forum (2015a, p. 7) recently addressed the issue of global supply chains in its report identifying a new type of "socially responsible supply chain," one built on two key drivers: business strategy and the level of supply chain maturity. The report argues that companies which strive for cost leadership strategy tend to be more hesitant when it comes to social responsibility in their supply chains, as compared to those following a product differentiation strategy. Contrarily, companies with the characteristics of a mature supply chain facilitate the im-plementation of sustainability programs and successfully manage the complexities involved. Further, there are four core sustainabil-ity strategies that frame the supply chain investment portfolio on the environment and society: compliance-driven/risk mitigation (by adhering to laws and external standards that translate into the lowest sustainability standard); efficiency-driven strategies (fo-cusing on cost efficiency and process optimization); legitimating strategies (creating credibility through external presentation of sustainability to create credibility); and holistic approaches (sus-tainability is integrated in all facets of the business and overall performance).

The World Economic Forum (2015) report further argues that in-dustry participants, both those that are cost leaders and differen-tiators, have evolved from compliance-driven to more holistic, high sustainability "triple advantage" (or "triple bottom line" of people,

planet and profit) strategies that have a strong stakeholder focus. Of the 31 proven business practices providing guidance for companies looking to codify their own specific portfolio of "triple advantage" improvement policies, the 31st such proven supply chain business practice is of particular interest: enforce high environment, health, and safety standards on the operational level (World Economic Forum 2015, p. 15).

   The Center for Business and Human Rights (2015), at New York University's (NYU) Stern School of Business, recently developed a new conceptual model called "shared responsibility" to appropriately deal with "how to ensure that jobs at the farthest ends of the supply chain are safe and dignified?" The key components of this model include:

- *Tackle the most difficult areas of business and policy at the root of poor working conditions.* In Bangladesh, these include: the "close" relationship between business and government; the trade association role in regulating their members; no existing ministry of garments; clarifying property rights and gaining access to usable land for manufacturing purposes; acquiring funding for major infrastructure upgrades in electrical power generation and transportation; high loan interest rates for capital investment; limits on business access to capital; legitimizing the role of small and medium-sized, sub-contracting factories in the public policy process; setting and enforcing safety standards and employee working conditions in small and medium-sized factories; and shutting down and relocating factories in high-risk areas.
- *Establish a process to develop a roadmap with recommendations.* A taskforce should be established with working groups dedicated to each of the most urgent challenges for fire and building safety in Bangladesh, including local and international experts responsible for developing recommendations for practical actions within a set period of time (i.e., less than a year).
- *Put a price tag on the recommendations and develop a formula for shared responsibility for paying it.* The task force should calculate its recommendations' financial costs and identify a total financial cost for a safe and sustainable garment sector. The task force should propose a formula, based on export volumes and other related factors, to share these financial costs among local

manufacturers, international buyers, development agencies, philanthropic organizations, the government of Bangladesh, and governments from importing countries.
- *Develop metrics to allow consumers to reward brands with sustainable supply chains.* Recognized NGOs, such as Consumers Union and the Fair Labor Association, should be charged with developing indicators to assist consumers in making informed decisions about where they should shop for their clothes.

This shared responsibility model was formally introduced and discussed in the Global Agenda Council on Human Rights at the October 2015 WEF meeting held in Dubai. Following this meeting, the Global Agenda Council on Human Rights released a White Paper, *A New Paradigm: Shared Responsibility in Supply Chains*, in November (World Economic Forum 2015b). This paper outlines a proposal on a new "shared responsibility" paradigm that addresses human rights issues in the context of shared institutional responsibility in global supply chain operations. This proposed "shared responsibility" paradigm (based on the above model developed by NYU's Center for Business and Human Rights) contains the following four essential elements that must be embraced to ensure the model's "real world" success (World Economic Forum 2015b, p. 3):

1. Adopting industry-wide, systemic approaches that involve key public and private stakeholders.
2. Gaining visibility of the full scope and complexity of human rights challenges in each industry's entire supply chain, and delinking visibility from financial responsibility.
3. Assessing the real costs and commitments requires addressing the most serious risks and problems, recognizing that neither companies nor governments alone can underwrite all these costs.
4. Generating cooperative approaches based on an equitable sharing of responsibility for action among the key stakeholders.

The purpose of the White Paper "is to stimulate consideration of a new approach to understanding human rights issues across global supply chains, more fully expanding the benefits of globalization to workers and communities in producing countries, and the advantages and feasibility of the shared responsibility model."[5]

The socially responsible global supply chain models proposed by Wieland and Handfield (2013), Pagell and et al. (2014), Haque and Azmur (2015), the World Economic Forum (2015a; 2015b), and Montabon et al. (2016), reflect and advocate advanced Stage 3 ("Innovative") and Stage 4 ("Integrative") of the Mirvis and Googins (2006) corporate citizenship model, focusing on stakeholder relationships, industry sustainability initiatives, and the "triple bottom line," and which the authors believe has the explanatory power to assist in developing a set of practical recommendations to address this important issue of multinational enterprises and their socially responsible supply chains. Haque and Azmat (2015, p. 15) note how the agendas of social responsibility have extended to include their supply chains, and that given the limitations of the state in developing countries (such as Bangladesh), that these least developing country circumstances highlight the important role of NGOs to work as partners with the national government and other international organizations, such as international development agencies and businesses to assist domestic apparel manufacturers in being socially responsible businesses.

Thus, we next evaluate this phenomenon by examining the case of the Accord on Fire and Building Safety in Bangladesh and Alliance for Bangladesh Worker Safety remediation and funding mechanisms, which highlight the interaction between global corporate citizenship, business and human rights, and multinational enterprise nonmarket strategy in relation to the socially responsible supply chain. Both of these examples of industry-led, NGO nonmarket proposals reflect Haque and Azmat's (2015) research findings of the necessity of international partner "businesses assisting other businesses" in becoming good corporate citizens. We will argue, however, that these proposals are located in Stage 5 of the Mirvis and Googins (2006) corporate citizenship model, reflecting transformative nonmarket strategies that have the potential to "change the game" for the multinational apparel retailers and their relationships with sub-contractors in developing economies—such as Bangladesh.

FINANCING FIRE AND BUILDING
SAFETY REMEDIATION

The tragedies of the Rana Plaza building collapse in 2013, and the Tazreen factory fire in 2012, resulted in four major business, labor and public policy initiatives being formed and implemented to address fire and building safety issues in the Bangladesh's RMG industry. On July 8, 2013, representatives of the People's Republic of Bangladesh, the European Union, and the International Labour Organization, met in Geneva, Switzerland, and signed an accord (later joined by the United States) called the *Sustainability Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh* (or Sustainability Compact) (Research Initiative for Social Equity in Society 2013; U.S. Department of Labor 2013) which covers respect for labor rights, factory safety, and responsible business practices by stakeholders (Research Initiative for Social Equity in Society 2013).

Thereafter, on July 25, 2013, the Government of Bangladesh and representatives of the Bangladesh employers' and labor organizations signed an integrated "National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Ready-Made Garment Sector in Bangladesh" (Government of the People's Republic of Bangladesh, 2013).[6] The International Labour Organization was requested to assist in the implementation and coordination of the National Tripartite Plan of Action (also known as the "National Action Plan"), and subsequently developed a three-and-a-half year, $27.8 million program funded by Canada, the Netherlands, and the United Kingdom on "Improving Working Conditions in the Ready-Made Garment Sector" (Bangladesh Garment Manufacturers and Exporters Association 2015; International Labour Organization 2013).

The signing of the Sustainability Compact and the National Tripartite Plan of Action coincided with the creation of two multinational apparel retail industry organizations: the Accord on Fire and Building Safety in Bangladesh (also AFBSB or "the Accord") and the Alliance for Bangladesh Worker Safety (also ABWS or "the Alliance"). On May 15, 2013, the AFBSB, a five-year, legally binding agreement, was signed by an initial group of 72 largely European Union country apparel companies (The Economist 2013; Bangladesh

Accord Foundation 2014), with a subsequent implementation plan in June 2013 incorporating the Bangladesh Accord Foundation in the Netherlands (Bangladesh Accord Secretariat 2015). The current membership includes more than 220 global apparel brands and retailers, including Adidas, Benetton, and Puma (Bangladesh Accord Secretariat 2017b), from over 20 countries in Europe, North America, Asia and Australia, and two global trade unions (IndustriALL and UNI Global). The purpose of the Accord is to make the RMG sector employees in Bangladesh safe from fires, building collapses and other accidents that could be prevented with reasonable safety and health measures (Bangladesh Accord Secretariat 2015).[7]

On July 10, 2013, the ABWS was founded by a group of 17 North American apparel companies and retail chains joining together to develop the "Worker Safety Initiative," a legally binding, measurable, verifiable and transparent five-year plan with the purpose of improving safety in Bangladesh's RMG factories (Alliance for Bangladesh Worker Safety 2015a; The Economist 2013). The ABWS membership represents the vast majority of North American imports of RMGs from Bangladesh, manufactured at more than 580 factories (Alliance for Bangladesh Worker Safety 2015b). The Accord and the Alliance, along with the National Action Plan, have agreed to use a common standard for safety and fire certification (International Finance Corporation 2014a).

As of April 2017, the Accord inspected more than 1,800 factories[8], where over 100,000 safety issues were identified, and finalized 1,472 Corrective Action Plans with factories and company signatories (Bangladesh Accord Secretariat 2017a, 2017b). As of September 2016, the Alliance has inspected 759 member factories and finalized 40 Corrective Action Plans (including those shared and executed under agreement with the Accord) (Alliance for Bangladesh Worker Safety 2016). The Alliance earlier reported that it would take $150 million to repair safety issues found as a result of its inspections (Alliance for Bangladesh Worker Safety 2014; Donaldson 2014). In 33 factories, safety issues were serious enough that both the Accord and Alliance recommended that manufacturing operations be suspended because of the safety risk to employees (Labowitz 2014).

Recent research conducted by NYU's Stern Center for Business and Human Rights offers a portrait of slow and scattered progress by both the Accord and Alliance organizations. Four years after the Rana Plaza tragedy, the Center reports that only 79 factories (out of some 2,256 factories) have successfully completed their remediation process—or a completion rate of only 3.5 percent (Rubin 2017). Both the Accord and Alliance initiatives have yet to remediate approximately one-quarter of factory safety issues that have been identified. In addition, there are many factories which have fallen considerably behind their prescribed timeframes of ameliorating these fire and safety code violations (including 94 percent of Accord-affiliated factories). Moreover, the Accord has yet to address more than two-thirds of structure issues identified, while the Alliance has yet to address some two-fifths of those structural issues it has identified in their member affiliated factories.

On January 1, 2015, the Alliance announced its "pre-approval policy" requiring that all new factories be registered, inspected and evaluated to be in compliance with key building and fire safety standards established by the Alliance before its members will source with them (Alliance for Bangladesh Worker Safety 2015a). For its part, the Bangladesh Garment Manufacturers and Exporters Association estimated that around 1,000 apparel factories needed to be relocated from Dhaka in order to ensure workplace safety and environmental compliance (Donaldson 2014).

In 2013, Alliance members agreed to provide grants of $42 million and $100 million in low-interest loans to upgrade factories (The Economist 2013). Under the Accord, its signatory members are responsible for ensuring that sufficient funds are available for its subcontractors to pay for structural repairs or factory renovations, including negotiating commercial terms with suppliers that will ensure the feasibility for factories to maintain safe workplaces and comply with structural repairs or safety improvements (Bangladesh Accord Foundation 2014, p. 6). Where appropriate, such structural repairs and safety improvements are to be financed through joint investments, loans, and accessing donor or government support (Bangladesh Accord Foundation 2014, p. 6).

In 2014, the International Finance Corporation (IFC), a member of the World Bank Group, established a special long-term funding program of up to $50 million, and for a period of 5 years, local partner banks to be used for efforts to strengthen structural, electrical, and fire safety in the RMG sector in Bangladesh (International Finance Corporation 2015). The banks are expected to leverage up to $100 million in loans for remediation in Bangladesh's garment industry, with nearly 500,000 workers expected to benefit from IFC's program by 2020 (International Finance Corporation 2015). Previously, the VF Corporation, a member of the Alliance, was granted up to $10 million in a credit line from the IFC and BRAC Bank to help its Bangladesh suppliers to finance fire and building safety upgrades in their supplier factories (International Finance Corporation 2015). Also, DBL Group received an IFC long-term loan of $10.5 million and a matching amount mobilized from FMO to finance supplier fire safety and building safety upgrades (International Finance Corporation 2015). Although the IFC program had not been operationalized with Accord signatories, there is expressed interest from members of the Accord in considering the IFC loan program (Al-Mahmoud 2014).

The Alliance and Accord differ in two important areas of financial support to supplier factory employees. Under the Accord agreement, members are *legally* committed to ensure that sufficient funds are available for safety remediation; Alliance members, however, *voluntarily* commit to provide funding for their subcontractors to complete safety remediation repairs in their factories (Oxfam 2013). Moreover, the Alliance has set aside up to $5 million to support displaced workers when factories are shut down due to failing safety inspections, with approximately 1,000 apparel workers compensated for up to four months (Alliance for Bangladesh Worker Safety 2014). Also, as of September 2016, 6,676 displaced apparel workers received such wage compensation from the Alliance (Alliance for Bangladesh Worker Safety 2016). Contrarily, the Accord believes that it is the responsibility of factory owners to pay their employees when operations cease due to a failed safety inspection (Al-Mahmoud 2014). Table 2 below highlights these initiatives, partners involved, their purpose and sources of funding.

TABLE 2 Financing Fire and Building Safety Remediation

	Initiatives Taken	Year	Partners Involved	Purpose	Funding
Sustainability compact	Respect for labor rights; factory health and safety; and responsible business conduct	2013	Government of Bangladesh, European Union, International Labour Organization, and the United States Government	Addressing fire and building safety issues	European Union, International Labour Organization, and the United States Government
National tripartite action plan	Assessment of structural integrity and fire safety of buildings; employee management training; and rehabilitation of disabled employees	2013	Government of Bangladesh, Bangladesh employers' and labor organizations, and the International Labour Organization	Improving working conditions in the RMG sector**	Canada, the Netherlands, and the United Kingdom
Alliance for Bangladesh Worker Safety (ABWS)	Worker safety	2013	26 Member Companies*, and Supporting Industry Associations, the American Apparel & Footwear Association, and the National Retail Federation	Improving safety in RMG factories (including coordinated inspections of factories)	A Consortium of Companies and Industry Associations

*Including Gap Inc., Target Corporation, and Wal-Mart Stores Inc.

**RMG = Ready-made garment.

THE SOCIALLY RESPONSIBLE GLOBAL SUPPLY CHAIN—OR NOT?

The Alliance is a "five-year independent legally binding agreement between apparel brands and retailer and trade unions designed to build a safe and healthy Bangladesh Ready Made Garment (RMG) Industry (Bangladesh Accord Secretariat 2015)." Moreover, the Accord is "a commitment by signatory companies to ensure sufficient funds are available for remediation (Bangladesh Accord Secretariat 2015)." With this in mind, the Alliance is a "five year initiative [that] has one core mission: to dramatically improve workplace safety in Bangladesh's garment factories (Alliance for Bangladesh Worker Safety 2014, p. 2014)." As a requirement of the Alliance Member Agreement, which includes a "commitment of substantial financial resources" to help fund factory safety remediation, several members of the Alliance "have committed to providing a combined total of more than $100 million to their respective supply chains to fund necessary improvements (Alliance for Bangladesh Worker Safety 2014, p. 2014)."

Labowitz and Baumann-Pauly (2015), of the Center for Business and Human Rights at New York University's Stern School of Business, building on an earlier study (Labowitz and Baumann-Pauly (2014), estimated that the total base of factories and facilities manufacturing for the export garment sector in Bangladesh at 7,179 and 5.1 million garment workers involved in the production of apparel for exports—far more than previous estimates of 4,000 to 4,500 factories—with some 2.8 million garment workers not covered under the Accord or Alliance agreements.[9] According to Ahsan H. Mansur, executive director of the Policy Research Institute of Bangladesh, it is estimated to cost approximately $3 billion to repair safety and building structural problems in Bangladesh and relocate these manufacturing facilities (Donaldson 2014). Labowitz (2014) estimated that there are 1,800 subcontractor factories working for Accord and Alliance members, leaving nearly 5,400 such factories and facilities not covered by either of these industry alliances. Utilizing the Alliance estimate of an average cost of $250,000 per factory to pay for fire and building safety repairs,

these 1,800 apparel factories and facilities will cost $450 million to successfully remediate.

A more recent study, conducted by the International Finance Corporation and the International Labour Organization, was released in June 2016 and assessed the current progress in Bangladesh made by the Accord, the Alliance and the National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Garment Sector of Bangladesh (Wadhwa 2017). Based on these industry reports, the study estimated that the total cost to remediate garment factories in Bangladesh would be approximately $635 million.[10] The study also estimated that, after factoring in various existing financing options and funds, the total remaining cost of remediating the Bangladesh apparel industry is $448 million as of June 2016.

This Accord and Alliance financing commitment accounts for approximately 25 percent of all export garment factories in Bangladesh; the other 75 percent of export garment manufacturers have no source of financing for potential safety repairs identified. Moreover, the cost of safety remediation for these export apparel manufacturers is estimated (using the Alliance estimate of $250,000 in remediation costs per factory) at $1.8 billion, or 60 percent of the $3 billion estimate of the Policy Research Institute of Bangladesh.

From the perspective of the "Stages of Corporate Citizenship" (see Table 1), both the Accord and the Alliance reflect a Stage 5 "transforming" dimension of the "citizenship concept." Both industry organizations are attempting to "change the game" by not only assessing the safety issues of their subcontractor's factory environments, but committing to ensure the financing needed to remediate these safety issues. This is an unprecedented action on the part by major consumer apparel retailers in North America and Europe. On the dimension of "strategic intent," the creation of the Accord and Alliance is an explicit attempt to engender "social change" in Bangladesh, focusing in on the underemphasized area of employee safety in an industry which undergirds Bangladesh's future economic development. From the perspective of the dimension of "leadership," both organizations' efforts can be characterized as "visionary" and "ahead of the pack," offering a potential

generic, institutional role model for other industries addressing similar supply chain issues in economically developing countries.

The dimension of "structure" reflects "business driven" motivations by major retailers to manage citizenship responsibilities through industry organizations with geographic memberships reflecting differences in ideological perspectives. This "issues management" approach is both "distinctive" and "defining," representing a focused, industry level solution to a problem which is national in scope. The "stakeholder" dimension is fully interactively engaged in by both the Accord and the Alliance memberships. Both organizations have actively involved all stakeholders concerned with factory safety issues, emphasizing a two-way dialog on relevant issues. The Accord and Alliance efforts to be "transparent" with their policies, plans and performance results are found on their respective Websites, which make all their documents readily available and downloadable to interested stakeholders.

One financing option for Accord and Alliance members to consider, and recommended by Motoko Aizawara (2015), managing director USA for the Institute for Human Rights and Business, is the issuance of "social impact bonds" (or SIB). A SIB, or "pay-for-success" contract with the public sector or some other purchaser (such as foundations), is a commitment to pay the bondholder only when a particular improved social outcome produces public savings (Social Impact Investment Taskforce 2014, p. 14). There are now over 20 SIBS being prepared globally covering such social issues as child and family welfare (Canada), helping school drop outs with employment opportunities (Germany), and juvenile justice (Massachusetts, USA), to name a few such issues (Social Impact Investment Taskforce 2014, p. 14). Advocates of SIBs argue that governments can reduce the cost of failure and encourage greater creativity and innovation in social service outcome performance by utilizing this market-oriented, financing mechanism (Social Impact Investment Taskforce 2014, p. 14).

Aizawara (2015) calls for new, innovative financing instruments to address social problems that are "neither exclusively public nor private," and are beyond the capacity to be solved exclusively by the public sector and the social sector—or in the case of the Bangladesh apparel manufacturing industry— the multinational apparel brands themselves. As Aizawara (2015) notes:

The way forward for Bangladesh building and fire safety is to come up with an innovative structure involving public actors (e.g., the brands, service delivery or implementation organizations) with help from development finance experts and an intermediary organization. Naturally, the Accord and the Alliance member companies will be expected to demonstrate their accountability and commitment by investing in the bond.

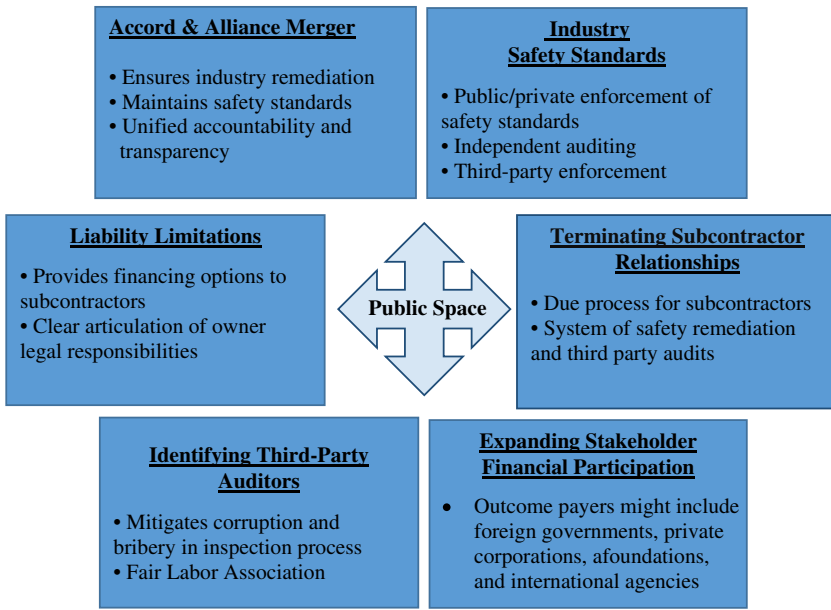## IMPLICATIONS FOR GLOBAL BUSINESS AND SOCIAL POLICY

In the development of nonmarket strategies by industry coalitions, such as the Accord and Alliance, "positioning spaces" need to be clearly identified. Baron (2013, p. 41) identifies three interrelated spaces: public sentiment, political (law-making and rule-making), and legal (enforcement of existing laws and regulation). In the case of fire and building safety in Bangladesh apparel factories, the responsibilities of the Accord and Alliance members are neither directly political nor legal. Positioning in the space of public sentiment, which is "determined by the diverse interests, viewpoints, and preferences of individuals in a society" (Baron 2013: 41), is exactly what the multinational apparel industry has been confronted by in the public's response to these tragedies.

The Accord and Alliance agreements reflect normative commitments to re-establish a favorable public reputation through responsible actions and consistent behavior that ensures a safe working environment for their Bangladesh subcontractors' employees. This positioning in the space of public sentiment is emblematic of MNEs embracing global corporate citizenship. Figure 1 below offers policy options concerning strategic positioning in the space of public sentiment.

The issues emerging from the first four years of the implementation of the Accord and Alliance organization agreements are challenging, but not insurmountable. Recognizing these challenges to successful implementation of these agreements, the following nonmarket strategies are presented as policy options for Accord and Alliance members to consider:

FIGURE 1 Prescriptive Nonmarket Strategies.

Accord & Alliance Merger

- Ensures industry remediation
- Maintains safety standards
- Unified accountability and transparency

Industry Safety Standards

- Public/private enforcement of safety standards
- Independent auditing
- Third-party enforcement

Liability Limitations

- Provides financing options to subcontractors
- Clear articulation of owner legal responsibilities

Public Space

Terminating Subcontractor Relationships

- Due process for subcontractors
- System of safety remediation and third party audits

Identifying Third-Party Auditors

- Mitigates corruption and bribery in inspection process
- Fair Labor Association

Expanding Stakeholder Financial Participation

- Outcome payers might include foreign governments, private corporations, afoundations, and international agencies

Accord and Alliance Merger

For the purposes of establishing a unified, long-term commitment to ensuring industry-wide fire and building safety remediation in its subcontractor factories and facilities, the Accord and Alliance memberships should consider merging their industry efforts under one newly established organization post-2018 to present a unified approach to maintaining safety standards, stakeholder involvement, accountability, transparency in operations, and financial support instruments.

Enforcement of Industry Safety Standards

The existing fire and building safety regulations in the Bangladesh garment industry are inadequate and unenforced. Enforcement of industry-wide fire and building safety standards, involving active stakeholder involvement, needs to be an ongoing industry

self-regulation effort, in collaboration with the Bangladesh government, as an integral part of a sustainable global supply chain. Furthermore, voluntary enforcement by a third-party, independent auditor should be required by the multinational retail and apparel manufacturing corporations being supplied by the Bangladesh RMG sector.

Liability Limitations

Helping develop and enforce safety standards, as well as making reasonable accommodations for providing financing options to subcontractors, is a major corporate citizenship responsibility which is voluntarily undertaken by major apparel brands and retailers. However, it should be clearly understood that the legal responsibility for maintaining fire and building safety is the responsibility of the factory owners and the Bangladesh government.

Terminating Subcontractor Relationships

Based on an established system of safety remediation and third-party audits, major apparel brands and retailers should establish a transparent, "due process" for subcontractors (and other stakeholders) clearly stating that if such standards are not maintained, that termination as an apparel subcontractor will result.

Identifying a Third-Party Auditor

While the inclusion of industry and stakeholder developed fire and building safety standards in Bangladesh government regulations is a necessary requirement, the reality of corruption in Bangladesh cannot be ignored. According to Transparency International (2016), its' "Corruption Perceptions Index" (CPI) for 2016 ranks Bangladesh at 145 among 176 rankings for countries globally, with a CPI score of 26 out of 100. Given its long standing issues with bribery and corruption, a third-party auditor is necessary for the maintenance of fire and building safety standards among subcontractors.

The Fair Labor Association (FLA), a multi-stakeholder initiative, was established in 1999 to address labor-related issues among subcontractor apparel manufacturers in developing countries, is an appropriate independent, third-party auditor for enforcing fire and building safety standards for establishing sustainable global supply chains. Under its "Workplace Code of Conduct" (Fair Labor Association 2011), the FLA explicitly addresses "Health, Safety and Environment" issues, and since 2013 has initiated "FLA's Fire Safety Initiative" charged with "preventing fires and saving lives by empowering workers and factory managers (Fair Labor Association 2013)."

Expanding Stakeholder Financial Participation

Best suited for addressing the remediation of building and fire safety issues in Bangladesh is the Development Investment Bond (DIB), a performance-based, financing instrument variation of the SIB, where the outcome payers may include foreign governments, donors, investors, corporations, foundations and international agencies, rather than the domestic governments of developing

FIGURE 2   The Development Impact Bond Process.
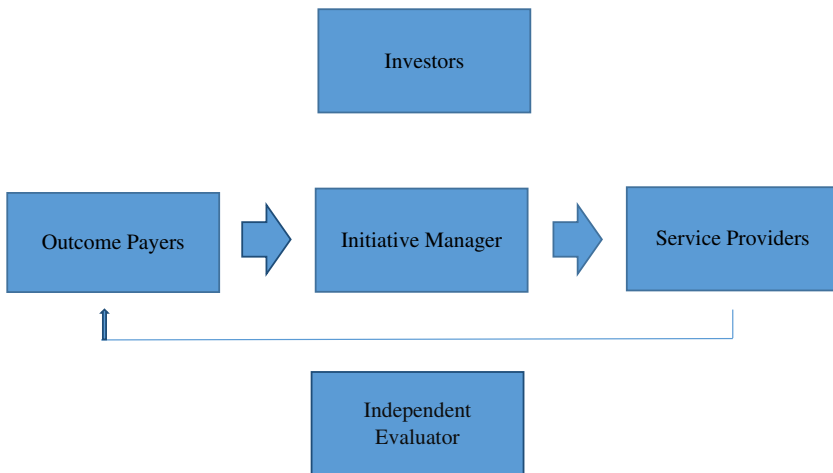
countries found in an SIB (See Figure II below) (Barder et al. 2013, p. 6; Social Impact Investment Task Force 2015, p. 15). In June 2014, Instiglio, Children's Investment Fund Foundation, Educate Girls and UBS Optimus Foundation sponsored the first DIB whose financing is focused on reducing the gender gap in education between girls and boys in rural India. We offer Figure II as an illustration of this process.

A DIB developed to finance the building and fire safety issues in Bangladesh will confront a unique situation, as it will address financing performance oriented outcomes by for-profit entities, rather than social service oriented issues traditionally serviced by government or nonprofit social service agencies, thus adding new complexity to the scope of this financing instrument.[11] The DIB bond to finance building and fire safety will consist of five distinct stakeholders (Instiglio 2015):

- *Outcome Payers.* This donor group will need to include major apparel brands, multinational retailers, corporate and individual foundations, and foreign governments. The estimated cost of remediation across the garment industry of between $635 million (a conservative estimate) and $1.5 billion (a more realistic estimate) can only be met by a combination of such donors, reflecting the essence of the aforementioned WEF's "shared responsibility" proposal.
- *Service Providers.* The service providers work to provide the building structural remediation and fire safety equipment and training necessary to meet the standards established by the outcome payers.
- *Investors.* These include major apparel brands, individual foundations, and foreign government international economic development agencies.
- *Independent Evaluator.* In this case, the FLA would be an acceptable assessor of the outcomes of this initiative.
- *Initiative Manager.* This would be the association resulting from the newly established merger of the Accord and Alliance coalitions, who would be responsible for coordinating stakeholder involvement and designing, structuring and implementing the remediation and audit stages of the initiative.

DISCUSSION

In conclusion, the efforts of the Accord and Alliance, while significant examples of global corporate citizenship in action, still leaves important questions to be resolved. The total factory remediation price tag of at least $635 million (and more likely a $1.5 billion estimate) is a formidable sum for Accord and Alliance members to finance, and now that the full extent of the remediation cost assessment is known, it is leaving many of them questioning their financial capability to fulfill their commitments under the agreements. But even greater questions remain.

For the bulk of the Bangladesh apparel and textile industry, who is responsible for up to $1 billion in remediation expenses for the remaining 3,200 to 4,200 export garment factories not covered by the Accord and Alliance membership? Furthermore, both the Accord and the Alliance are established for a five-year commitment. While the Accord membership has agreed to establish a second term of a three-year commitment through 2021 (Accord on Fire and Building Safety in Bangladesh 2017), who pays for (and monitors) the maintenance of fire safety and building structural integrity in these export apparel factories after 2018 (when the Alliance agreement sunsets) and 2021 respectively (when the second Accord agreement sunsets)? Is the Fair Labor Association up to the challenge of effectively implementing an effective multi-stakeholder initiative in Bangladesh? Lastly, while the use of private politics, e.g., industry self-regulation, is a necessary and integral component of establishing a safe environment for Bangladesh's apparel workers (King 2014a, 2014b), the public regulation of these facilities is the ultimate responsibility of the Bangladesh government.[12] While the NYU Center for Business and Human Rights/ WEF proposal on "shared responsibility" shows promise, will the national government be able to effectively partner with the Accord and Alliance (or subsequent association, such as the FLA or another multi-stakeholder initiative) in such a "shared responsibility" collaboration to effectively monitor future sustainable socially responsible supply chains? These are formidable and still to be resolved industry corporate citizenship challenges faced not only by the Accord and Alliance memberships, but other global stakeholders who are vested in a sustainable socially responsible apparel

supply chain in Bangladesh and with other host countries around the world.

NOTES

1. Business and society scholars Lawrence and Weber (2014, p. 50) define "corporate social responsibility," in its most basic form, as "learning to live with, and respect, others."

2. William C. Frederick (2006) identifies the four historical phases of "corporate social responsibility" as "corporate social stewardship" (1950s-1960s); "corporate social responsiveness" (1960s-1970s); "corporate/business ethics" (1980s-1990s); and "corporate/global citizenship" (1990s-present). There is no indication that a fifth historical phase of corporate social responsibility has fully emerged, although ongoing discussions on "political corporate social responsibility," "multi-stakeholder initiatives," and "business and human rights" may be contributing to the next phase of corporate social responsibility. The literature on "political corporate social responsibility," i.e., business and politics generally (although there is no single accepted definition of the field [Frynas and Stephens 2015]) dates back to the 1970s, and academic interest in "political corporate social responsibility" has picked up in the last decade. However, in their review paper, Frynas and Stephens (2015) identify critical gaps in theory development. Moreover, Frynas and Stephens (2015, p. 502) conclude:

> At this point, it may be useful to reiterate that political CSR is a very broad movement and the emergence of a single, testable, unified multi-theory model of political CSR is unlikely and perhaps undesirable. We need to accept that theoretical perspectives on political CSR are competing and sometimes overlapping, and may occasionally combine descriptive and normative elements.

"Multi-stakeholder initiatives," also shares a similar problem of a lack of "a widely acknowledged definition of what constitutes an MSI," i.e., how such multi-stakeholder initiatives should be, as well as to their function and funding (Pauly and Wadhwa 2017), as well as a relatively underdeveloped research literature on such initiatives involving multinational enterprises. Also see MSI Integrity (the Institute for Multi-Stakeholder Initiative Integrity) and the Duke Human Rights Center (at the Kenan

Institute for Ethics) (2017) for a recent "cataloging" of some 45 such initia-
tives. One such "multi-stakeholder initiative," the Fair Labor Association,
is an important stakeholder in the authors' later recommendations, incor-
porating further self-regulatory involvement. As such, the fourth his-
torical phase of "corporate/global citizenship" continues to predominate
among academics and in industry into the second decade of the 21st
century, and complemented with the "nonmarket strategy" approach,
coupled with the recently emerging empirical literature on "business and
human rights," is utilized as the theoretical basis for this applied article.

  3.   Post (2002, p. 149) further elaborates on his definition:

> There are two ways to approach the question. One involves *sub-
> stantive actions*—list of *do's and don'ts.* Firms in many industries
> have developed policy statements and codes of conduct that are
> intended to guide their managers toward the right answer. The
> other approach is to focus on the *process* through which managers
> address the question of "what to do." This involves education, as in
> helping managers reconnect to the idea of management as public
> work, not just private work.

  4.   The authors considered Zadek's (2004) "Five Stages of Organizational
Learning" model which describes how a company develops a sense of cor-
porate social responsibility, but found its explanatory power less robust
than Mirvins & Googins "Stages of Corporate Citizenship" model for
application with issues related to global supply chains.

  5.   Also, this reflects the goal of a "white paper"; in this case, address-
ing these problems among global companies, their local business part-
ners, local and foreign governments, unions, international financial
institutions, and private philanthropies, all interests represented in the
WEF (World Economic Forum 2015b, p. 1).

  6.   The National Tripartite Plan of Action combines the "National
Tripartite Plan of Action on Fire Safety in the RMG Sector," signed on
March 24, 2013 in response to the Tazreen factory fire, and the "Joint
Tripartite Statement" adopted on May 4, 2013 in the aftermath of the
Rana Plaza tragedy (International Labour Organization 2013).

  7.   There are six key components to the Accord (Bangladesh Accord
Secretariat 2015):

  1)   A five year legally binding agreement between companies and
  trade unions to ensure a safe working environment in Bangladesh
  RMG industry.

 2) An independent inspection program supported by companies in which workers and trade unions are involved.

 3) Public disclosure of all factories, inspection reports and corrective action plans.

 4) A commitment by signatory companies to ensure sufficient funds are available for remediation and to maintain sourcing relationships.

 5) Democratically elected safety and health committees in all factories to identify and act on safety and health risks.

 6) Worker empowerment through an extensive training program, complaints mechanisms and right to refuse unsafe work.

8.   The Accord was requested by the Bangladesh Garment Manufacturers & Exporters Association, factory owners, and the Government of Bangladesh to avoid duplicate inspections by both the Accord and Alliance (Bangladesh Accord Foundation 2015).

9.   Researchers at Penn State's Center for Global Workers' Rights argue that the data employed by the Center for Business and Human Rights at the Stern Business School is inflated by at least 2,000 factories (Anner and Blair 2016). Furthermore, Anner and Blair (2016) conclude that the Accord and Alliance initiatives cover 71.4 percent of garment workers employed in the export sector. For a detailed response to the Penn State critique, please see Labowitz (2016). A recently released study issued by the BRAC University's Centre for Entrepreneurial Development (BRAC Centre) in Dhaka (and sponsored by the C&A Foundation) confirmed the Stern Center for Business and Human Rights' 2015 study (Baumann-Pauly, 2017). Employing similar methodology of the Stern Center study with a combined analysis of several online databases and field research, the BRAC Centre found 8,020 garment factories in Bangladesh, with over one-third of these garment factories identified as sub-contractors and most of these facilities not registered with any of the local Bangladesh industry associations.

10.   NYU's Center for Business and Human Rights estimates that this study underestimates the number of garment factories in Bangladesh (3,778), as the Center for Business and Human Rights estimates 7,179 factories and the BRAC study estimated 8,020 factories; it does not sufficiently factor in Bangladesh's infrastructure deficiencies; and it does not consider ongoing costs to adequately train the labor force or establish and maintain grievance mechanisms (Baumann-Pauly 2017; Wadhwa 2017).

11.   Donors can establish a "DIB Outcomes Fund," i.e., a joint pool of capital from donor agencies to pay investors outcomes achieved in DIBs,

and investors a "DIB Investment Fund," i.e., a pool of capital that invests in DIBs and takes on outcome delivery risks, which will enable these participants to share risks and develop a range of DIB models (Barder et al. 2013, pp. 7, 10).

12.   For a recent summary of the research undertaken on the social use of private regulation, see King (2014b).

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APPENDIX

ABWS Sample Financing Options

- *Short-to-Medium Term Loan Guarantees*

  Provide a letter of credit to a bank for a period of six-to-eighteen months as a form of security. The letter of credit reduces lending risk for banks and makes it easier for suppliers to secure loans at a lower rate of interest.

- *Loans through the International Finance Corporation (IFC)*

  The VF Corporation has provided a corporate guarantee for an approved $10 million Global Trade Supplier Finance program loan from the IFC, the private sector lending arm of the World Bank, to help factory owners pay for safety repairs. The Alliance is in final discussions with the IFC to expand the program to all members of the ABWS.

- *Supply Chain Finance*

  Factory owners may take advantage of post-shipment financing, which allows them to receive advance payment on goods in-transit at a discounted rate through a member company's financial partners.

- *Direct Loans*

  Member companies may make loans directly to supplier factories to make safety equipment and/or building structure improvements, based on the strength of their relationships with the supplier or an individual factory's urgency for remediation.