

Social Auditing: Legitimising Global Brands' Irresponsibility?

Written by Mia Rahim, Sanjaya Kuruppu and Md Tarikul Islam

This PDF is auto-generated for reference only. As such, it may contain some conversion errors and/or missing information. For all formal use please refer to the official version on the website, as linked below.

Social Auditing: Legitimising Global Brands' Irresponsibility?

<https://www.e-ir.info/2021/06/07/social-auditing-legitimising-global-brands-irresponsibility/>

MIA RAHIM, SANJAYA KURUPPU AND MD TARIKUL ISLAM, JUN 7 2021

Business and politics are intimately intertwined in the global supply chain. There are increasing interdependencies between countries due to globalisation and free trade. Within this context, large global brands are salient political and economic actors. Recent trends have shown large-scale shifts of global production to weak economies which supply cheap labour. As a result, these brands wield considerable power in shaping the industrial practice of weak economies who are often dependent on them for revenue generation, foreign exchange earnings, infrastructure development and to sustain local employment. However, by virtue of their global footprint and presence, these brands are also under pressure to maintain their legitimacy in countries from which they source their products, and also in the countries where their products are ultimately being sold (Deephouse, *et al.*, 2017; Bajde, 2019).

The consequences of this could be witnessed in the aftermath of the Tazreen Factory Fire in 2012 and the Rana Plaza Factory collapse in 2013 in Bangladesh's Ready Made Garment (RMG) industry. There were immediate protests both in Bangladesh and across the world in response to the poor and unsafe working standards at both factories which were seen as a reflection of the whole industry. Weakly constructed purchasing and procurement processes were identified as flaws with the way that global buying firms engaged and oversaw production of their suppliers in Bangladesh. Consumer awareness advocates began a campaign of 'shaming' large brands that sourced garments from Bangladesh and called for greater responsibility for labour rights across the supply chain. In addition to a country level response to poor labour rights and factory standards, these global brands are now placed under great pressure to support compensation schemes and improve working conditions in the global supply industry.

In this juxtaposition, corporate social responsibility (CSR) initiatives gained prominence as a way for multinationals to manage impressions about the legitimacy of their business models (Kolk, 2016). Global brands' instrumental use of CSR reporting for legitimacy purposes has been well explored (Grougiou *et al.*, 2016) and there is some suggestion that CSR initiatives can generate long term value (Lloret, 2016; Rahman *et al.*, 2019). Nonetheless, CSR initiatives are typically viewed with some skepticism as they appear to construct and legitimise a particular industry or institutional environment (Austin and Gaither, 2018). Thus, there is a theoretical and empirical tension between the perceived positive *intentions* of engaging in CSR and the potentially negative *actions* of brands engaging in irresponsible or deceptive behaviour (Siano *et al.* 2017; Ford and Stohl, 2018). To counter this disconnect, social auditing has been touted as a mechanism which can check CSR performance against social commitments through greater stakeholder engagement (Pisani *et al.*, 2017).

Social auditing is a process by which a business can determine its impacts on society, and report its responsibility performance in social issues to the wider community (Rahim and Idowu, 2015; Fiaschi *et al.*, 2017). A possible problem with social auditing, which can discourage its effective use, is the ability of the management of a brand to control the entire process. This can happen where the management of a global brand strategically collects and disseminates only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to society (Rahim, 2016). Therefore, there is a risk that social audits can be confined to being used as a management tool to claim legitimacy for global brands' sourcing operations, rather than as a mechanism for promoting labour wellbeing and work environment in supply factories in weak economies.

Social Auditing: Legitimising Global Brands' Irresponsibility?

Written by Mia Rahim, Sanjaya Kuruppu and Md Tarikul Islam

Massive differences in power between global brands and supply firms in developing countries show that social audits are not a tool which can enable greater dialogue and responsibility. Instead, global brands control narratives which shape what responsibility is and is not. The rules of social auditing are set by large buying brands and purchasing countries, predominantly influenced by Western conceptions of human rights, and with little regard to the unique socio-political factors that shape developing states. Therefore, social auditing becomes an artefact of neo-colonisation, asking that poorer communities agree that it is their failings and lack of compliance with principles of human rights which is ultimately the cause of the problem. This devolves responsibility from large global brands to the weak, perpetuating a cycle of exploitation.

Essentially, the lack of credible institutions to manage global brands within a weak economy means that a different framework is necessary to regulate societal issues in its global supply industry. Within this framework, social audits should not be 'reducible to corporate strategy', but rather should reflect the 'negotiated settlements and institution-building projects that arise out of conflicts involving states, non-governmental organisations, and other non-market actors, as well as firms' (Bartley, 2007; Fransen and Burgoon, 2012). Where a firm's license to operate is eroding, and its impression management tactics are provoking growing resistance, a moral approach to building societal legitimacy can help the global buying brands to genuinely address their need for 'legitimacy' through social auditing practices. As such, global brands in the global supply chain need to be committed to a social audit regulation framework which promotes suitable strategies with moral commitments to improve the social auditing practices in their supply firms. Stronger dialogic approaches (Dillard and Vinnari, 2019) are required to facilitate communication strategies that encourage accountability, effectively monitoring social auditors and their supply firms' responses to the outcomes of the process. This can turn social auditing into an effective means of governing socio-political and environmental issues in the global supply industry in developing states.

Assuming that this argument is vital in achieving legitimacy via social audit outcomes, all stakeholders in the Bangladesh RMG supply industry should assist each other as facilitators. This country has low levels of civil society, and minimal media engagement in firms' internal auditing practices for developing performance in societal issues. Combined with the prevalence of corruption, it is evident that there is a need for an 'ethical turn' in global supply chain relationships that extend market-based arguments which privilege the rich and powerful at the expense of the poor and vulnerable. In particular, global brands that are sourcing RMG from this industry need to be morally committed to effective social auditing practices underpinned by the pluralism of a dialogic approach. This is pertinent to 'the goal of a safe and sustainable [RMG] industry in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable ... measures' (Clean Cloths Campaign, 2021).

References

Austin, L., and Gaither, B. M. (2019) Redefining fit: Examining CSR company-issue fit in stigmatized industries. *Journal of Brand Management*, 26(1): 9-20.

Bajde, D. (2019) Branding an industry? *Journal of Brand Management*, 1-8.

Bartley, T. (2007) Institutional emergence in an era of globalization: The rise of transnational private regulation of labor and environmental conditions *American Journal of Sociology* 113(2): 297-351.

Clean Cloths Campaign, 'Protect progress - the Bangladesh Accord', available at <https://cleanclothes.org/campaigns/protect-progress/qa>

Deephouse D. L., Bundy J., Tost L. P., Suchman M. C. (2017) Organizational legitimacy: Six key questions. In: R. Greenwood, C. Oliver, T. B. Lawrence and R. E. Meyer (eds.): *The Sage Handbook of Organizational Institutionalism* 2nd edn): Sage Publications Ltd, Thousand Oaks (CA): pp. 27-54.

Dillard, J. & Vinnari, E. (2019) Critical dialogical accountability: From accounting-based accountability to accountability-based accounting. *Critical Perspectives on Accounting*, 62, pp. 16-38.

Social Auditing: Legitimising Global Brands' Irresponsibility?

Written by Mia Rahim, Sanjaya Kuruppu and Md Tarikul Islam

Fiaschi, D., Elisa, G., and Federica, N. (2017) Overcoming the liability of origin by doing no-harm: Emerging country firms social irresponsibility as they go global. *Journal of World Business*, 52(4): 546-563.

Ford, B. R., & Stohl, C. (2019) Does CSR Matter? A longitudinal analysis of product reviews for CSR-associated brands. *Journal of Brand Management*, 26(1): 60-70.

Grougiou, V., Emmanouil, D., and Stergios, L. (2016) Corporate social responsibility reporting and organizational stigma: The case of sin industries. *Journal of Business Research*, 69(2): 905-914.

Kolk, A., and Van, T. (2002) The Effectiveness of Self-regulation: Corporate Codes of Conduct and Child Labour. *European Management Journal*, 20(3): 260-271.

Lloret, A. (2016) Modeling corporate sustainability strategy. *Journal of Business Research*, 69(2): 418-425.

Rahim, M. M., & Idowu, S. O. (Eds.). (2015). *Social Audit Regulation: Development, Challenges and Opportunities*. Springer.

Rahim, M. M. (2017). Improving social responsibility in RMG industries through a new governance approach in laws. *Journal of Business Ethics*, 143(4), 807-826.

Rahman, M., Rodríguez-Serrano, M. Á., & Lambkin, M. (2019) Brand equity and firm performance: the complementary role of corporate social responsibility. *Journal of Brand Management*, 1-14.

Pisani, N., Arno, K., Ans, K., and Renske, M. (2017) How global is international CSR research? Insights and recommendations from a systematic review. *Journal of World Business*, 52(5): 591-614.

Siano, A., Agostino, V., Francesca, C., and Sara, A. (2017) More than words: Expanding the taxonomy of greenwashing after the Volkswagen scandal. *Journal of Business Research*, 71(C): 27-37.

About the author:

Associate Professor Mia Mahmudur Rahim is the Deputy Chair of the Academic Board and the Chair of the Research Committee of the University of New England, Australia. He studied law and policy at the National University of Singapore, the University of Warwick, and Dhaka University. Macquarie University awarded his PhD in Law. He is the author of *Legal Regulation of Corporate Social Responsibility*, *CSR in Private Enterprises* and the editor of *Social Audit Regulation* and *Code of Conduct on TNCs*.

Dr. Sanjaya Chinthana Kuruppu is a Senior Lecturer in Accounting at the University of South Australia. He is the Director of the UniSA-Yunus Social Business Centre. His research interests are in Social and Environmental Accounting (SEA) and non-governmental (NGO) accountability, with an increasing focus on how technology such as blockchain is impacting both these areas. He was awarded his PhD in Accounting from the University of South Australia, and his Masters of Commerce from the University of Canterbury.

Dr Md Tarikul Islam is a Lecturer at the University of Essex. His research interest is built around accountability within the broader theme of Social and Environmental Accounting (SEA), particularly in the context of hybrid corporations, social entrepreneurship, and healthcare. He studied business administration in multiple universities in Europe and Bangladesh before graduating from the Queensland University of Technology with PhD in Accountancy.