Corporate Social Responsibility in the Textile Industry—

Why a CSR Engagement, its Influence on Corporate Brand Equity and could it serve as a Competitive Advantage?

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Dedication

Firstly, I would like to dedicate my work to my parents, who have always accentuated the importance of higher education and supported me throughout my studies.

Secondly, I would like to dedicate my work to my boyfriend and his family who have lend me so much support and have been my emotional anchors throughout my studies and life.

Thirdly, I would like to dedicate my work to my friends who have shared the many uncertainties and challenges of higher education. I am very grateful for your encouragement and motivation. You have been my best cheerleaders!

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Executive Summary

This work is concerned with the concept of Corporate Social Responsibility (CRS), which has gained significant recognition and importance in the textile industry. Due to the globalization of business and emergence of the Internet, as a media platform, consumers are able to accumulate a high volume of information from various sources. Thus, consumer attention has deflected from the product to the behaviour and operations of the firm. Moreover, increasing public awareness and pressure from non-governmental organizations (NGO) has triggered higher demand for companies to assume social responsibility and adapt social and ecological standards. As a result corporations are facing an increased risk concerning their reputation and brand value.

The study intends to examine the different viewpoints concerning CSR and its relevance and status in the contemporary landscape. Moreover, it aims to discover the objectives for the textile industry to engage in this concept and whether it can be used as a mean to gain sustainable competitive advantage. In addition, it seeks to identify the effect of CSR on the operations of the business and the role of internal and external stakeholders in this context.

This work incorporates both features of Interpretivism and Pragmatism. In the course of the research program various sources have been utilized in order to obtain both qualitative and quantitative data, thereby enabling the author to limit generalisability and duplication. Moreover the use of primary research, through interviews with various people active in the textile industry, has offered valuable insights into the subject matter.

Different stakeholder groups have influenced organizations in various ways to engage in CSR. Management is faced with the task to align social responsibility and economic profitability and ensure compliance with this concept throughout its often global and complex value chain. While some customers are willing to pay a premium price for ‘ethical’ products and value a companies CSR engagement others are price conscious and merely interested in making a bargain. CSR has become a central aspect in corporate strategy and vital for a company’s survival in this ruthless and highly saturated market. Nonetheless, there is still much confusion and disagreement regarding the meaning and scope of CSR.
The investigation into this sensitive and widely disputed subject matter offers important and novel insights into the concept of CSR in the apparel industry. Moreover it highlights how a use of this concept can shape consumer buying behaviour and perception of brands. However, ethics is an ongoing process and moral claims are constantly influenced and shaped by society and changing empirical conditions. Thus, there is still scope for future research in this area.
1.0 Introduction

The debate about ethical and socially responsible behaviour has received much attention in recent years. In particular, the apparel industry has undergone a radical transformation in the process of globalization, which has resulted in humans growing impact on social and environmental development and has threatened the sustainability of the entire planet.

Having lived in London, renowned for its fashion industry and home city to many prominent designers and international brands, I have developed a strong interest to probe the market. Being part of a generation that is highly fixated on designer labels and surrounded by brands everywhere, I was induced to explore the less brighter and often concealed side of business. Intensive marketing campaigns and the use of symbols to create a distinction, attempt to brainwash consumers to buy a certain product. Especially in the apparel industry, the quality of the product has become peripheral as opposed to the brand logo and the message it conveys. “People want to buy from companies they trust to do business in the right way. Having a quality product is no longer enough” (Adidas Group Report, 2008). Hence, brand equity has evolved as one of businesses’ most valuable asset. It is no more merely about the innovativeness or product quality but rather about the company’s reputation and the lifestyle and culture that is embedded in the product. Moreover, given today’s mass consuming economy and the subsequent establishment of innumerable textile firms in the market, greater challenges have emerged for firms to differentiate identical products.

People often discern good products from bad products based on its labelling. However, other product characteristics may not be visible to the end consumer even through its use or consumption. Thus, many consumers are unaware of the reality behind the clothing they wear and the working conditions and pollution generated through the production of the product. As the renowned designer Christian Lacroix has once said “It is terrible to say; very often the most exciting outfits are from the poorest people” (Klein, 2000). Sadly people often find it easier to look the other way when they are not directly affected. Hence, it is important to provide greater transparency regarding companies operations in oversees factories and to emphasize the need for CSR. Moreover, raising awareness and informing consumers about how they can impact global and social change, may trigger greater devotion by firms toward CSR initiatives.
The concept of CSR has become increasingly popular over the past years and has developed into a highly publicised and benchmarked strategic activity. In today’s entrepreneurial environment CSR is permanently present. Whereas the traditional view of business has been focused on achieving economic profitability, this view has been challenged by growing societal concern and well known pressure groups. Milton Friedman’s famous dictum from 1970 “the social responsibility of business is to increase its profits” prompted much discussion (cited in Lantos, 2001). While some expert criticise that there is a conflict of interest between CSR and profitability, others argue that CSR should be seen as an investment, which serves organizations in the long run by building a strong brand value and thus achieving higher economic success. This argument is supported by Hilton and Gibbons (2005, p.115) who claim that “CSR is deeply connected with brand reputation and the emotional component of a brand’s strength, and therefore cannot be ignored”. Moreover, in the light of globalization CSR is seen as a necessity of business and a task of management that will determine a company’s competitiveness. These divergent views will be discussed further in the literature review.

In the light of globalization many companies have moved their production to less developed countries, in an attempt to reduce operational costs. The fierce global competition and market saturation in the textile industry has pressured companies to produce at a lower price in order to remain viable. As a result, many companies have outsourced much of their value chain activities to external suppliers. In addition the flow of information, goods, capital and people across political and geographic boundaries have created a global network of communication, which has triggered growing awareness and concern among the public about unethical business practices.
The scandal of Nike in 1997 has somewhat been a breakthrough for CSR in the textile industry. News all over the world reported that Nike was making use of “sweetshops and child labour in low-wage countries“ to manufacture its apparel (Bloomberg Business Week, 2006). Ever since, attention has been directed toward issues such as minimum wage, child labour, working conditions, working hours and raw material sourcing in the supply chain management of textile companies. Multinational corporations are confronted with well-known pressure groups such as Greenpeace, Oxfam or the Fair Labour Association (FLA), which are scrutinizing business operations and communicating their unethical practices to the public. Thus it has become vital for companies, especially in the apparel industry, to control and safeguard their operations oversees and work together with their suppliers in order to ensure compliance with CSR standards.
2.0 Literature Review

The purpose of this chapter is to introduce the reader to the concept of CSR. Wide ranging and often contradicting theories on organizational behaviour and the behaviour and expectations of society will be discussed. The critical review of the different concepts, theories and definitions of CSR will provide the reader with a general understanding of the subject. Hence, it is important to start by providing the related framework and then linking it specifically to the research area. The literature review will facilitate the process of clearly defining the research objectives.

2.1 The Concept of CSR

The definition of CSR is not always clear due to various conflicting goals and objectives. As the term CSR is of high significance to the fashion industry it is important to discuss the various definitions in order to establish a basis for further investigation. The term CSR has evolved from a theoretical concept to a widely-applied business tool and has become a central issue in business decision-making (Cochran, 2007, pp.449-454). Moreover the role of corporations and the validity of CSR have been subject to great debate with various theories and perspectives in this field. According to Daniels et al (2009, pp.196-199) the concept is controversial and subject to interpretation by the industry. “Values differ from country to country and sometimes between employees and companies”. This premise is supported by Votaw (1973, pp.11-45) who claims “the term social responsibility is a brilliant one; it means something, but not always the same thing to everybody.”

Generally CSR can be classified into one of the two categories; there are those that argue that management is solely responsible to maximize returns (Friedman, 1970) and those suggesting supplementary obligations by corporations toward society (Caroll, 1979, pp.497-505). The latter is characterized by a model, which incorporates the philosophy of social responsiveness, illustrates the social issues involved and lists the social responsibilities of corporations. According to Carroll (1979, p.500) “the social responsibility of a business encompasses the economic, legal, ethical and philanthropic expectations that society has of organizations at a given point of time”. This model is commonly used as a framework to explain the relationship among the four domains and the corporations’ responsibilities toward its stakeholders. The following figure illustrates Carroll’s four-part model.
In contrast to this view Friedman’s statement is based on three premises; that only human beings carry social responsibility, that managers are to act exclusively in the interest of the shareholders due to the principal agent relationship and that the state is responsible to combat social issues and problems by the use of laws and regulations (Friedman, 1970).

However there has been a trend of growing societal concern regarding businesses’ operations and behaviour, consequently companies are held responsible to a greater extent for unethical behaviour (Hartman et al, 2007, pp.373-389). Moreover, the expectations by society concerning what constitutes socially responsible behaviour have risen. Hence, globalization and the mounting pressure of society have prompted corporations to re-think and design their operational strategy. “CSR is important for all the firms that try to maintain sustainable development and achieve competitive advantage” (Gunay, 2009, pp.110-115). This belief is shared by John Akers, former chairman of IBM claiming that “any competitive system

In addition, international developments in corporate law and a flurry of corporate scandals have played an important role in increasing awareness of this concept. Hence, international business operations have been questioned for their ethical behaviour evolving around social issues such as labour practices and human right as well as environmental concerns. “CSR has become a hot topic in media circles” (McWilliams & Siegel, 2001, p.121). This argument is supported by Fedderson and Gilligan (1998) who content that the “free publicity, whether positive or negative, helps heighten public awareness of CSR, reduces information asymmetry, and, thus, influences demand for CSR” (cited in Mc William & Siegel, 2001, p.121).

The pressure for companies to act in a responsible manner appears from different stakeholder groups such as customers, employees, suppliers, shareholders and society at large (Daniels et al, 2009, p.190). In reaction to the public demand, many companies have devoted additional resources toward a variety of CSR initiatives. Herbert Hainer, CEO and chairman of the executive board of the Adidas AG claims in this context “we have made significant progress in addressing social and environmental issues as an integral part of our business” (Adidas Group Report, 2008). Also Nike, which has been subject to allegations for using sweatshop labour in the past, has revised its strategy and mission. “We have taken significant actions to improve the lives, opportunities and working conditions of our employees […] so that consumers can buy Nike products with the knowledge that these products have been manufactured under safe and fair working conditions” (Klein, 2000, p.92).

Daniels et al (2009, p.212) have identified four motivational factors for companies to engage in CSR: Firstly, unethical and irresponsible behaviour can result in legal sanctions. Thus it is advisable for companies to take proactive measures before political action is taken to challenge the practices of the firm. Secondly, such behaviour can result in consumer boycotts, as they associate the products with unethical behaviour. Thirdly, it can lower employee morale, whereas socially responsible behaviour can positively influence the workforce both at the companies’ headquarters and in its overseas facilities. Lastly, bad publicity can have a tremendous influence on the companies’ sales. This may be some of the incentives that stimulated companies such as Nike to take action and counter public accusations.
2.2 Defining CSR

CSR can be defined as “situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and which is required by law” (McWilliams et al, 2006, p.1). The European Commission defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2010).

As mentioned previously there is no clear definition of CSR, which has resulted in a lot of confusion and dispute as to what constitutes socially responsible behaviour. Furthermore many companies are still resistant to this concept, as they perceive CSR as a costly investment that contradicts with the firm primary objective of economic gains. This common notion is highlighted by the title of Joakim Sandbergs’ book (2008) “Making Money or Making a Difference.” Thus implying that acting socially responsible will curtail the profitability of the business. However studies have shown that CSR and profitability can work together as one strategy.

There is no ‘one size fits all’ approach for companies to apply this CSR. Thus each business needs to find an individualized strategy conforming to the structure of the business and working in favour of the company’s competitive position in the global landscape (Schäfer, 2010). Especially in the textile industry, where much of the supply chain activities are outsourced to developing countries it is important to consider the differences in the governmental system, laws, economic development and culture. “What is considered normal practice in one nation may be perceived as unethical in another” (Daniels et al, 2009, p.265-268). Although the law presents a good basis for ethical behaviour it is not sufficient to ensure socially responsible behaviour. In order to provide guidance for corporations the International Labour Organisation (ILO) has set out overall recognized mechanisms and standards, which organizations worldwide can use as a template to design their individualized codes of conduct (Hardtke & Kleinfeld, 2010, pp.26-29).
2.3 The Link between Business and Social Responsibility

As discussed earlier, the concept of CSR is subject to much discussion and varying opinions. While some critics argue that socially responsible behaviour distracts from a corporation's fundamental role to maximize profits others see it as necessary method and a mean to remain competitive in the market. “In the past social responsibility and business were regarded as two independent issues, whereas today they go hand in hand” (Willard, 2005).

Due to the significant role of multinational corporations in the world economy and their considerable influence on society they play an important role in the implementation and execution of socially responsible behaviour. Especially the textile industry, operating on a global basis, represents a growing centre of power. Moreover, the internationalization of business has resulted in decreasing national control and growing interaction between government and business (Baumast & Pape, 2001, p.22).

The textile industry has enormous influence on the lifestyle of society and therefore can serve as a role model in promoting socially responsible behaviour. However, due to changing trends and thus an increased volume of production, the textile industry is accountable for a large consumption of resources as well as emissions of carbon dioxide in the atmosphere (Wilkens, 2007, pp.11-12). “Textile production requires water at almost every stage of the production process [...] thus, excessive water use can deplete water sources for future production or community use” (US Agency International Developments, 2009). On the other hand, corporations are places of economic, environmental and social innovations and therefore can help master these problems (Baumast & Pape, 2001, p.22). In this context, businesses ought to seek for a “preventive business strategy designed to conserve resources, mitigate risks to humans and the environment, and promote greater overall efficiency through improved production techniques and technologies” (US Agency International Developments, 2009).
2.4 The Textile Industry in Developing Countries

The complex structure of the textile industry has been an obstacle in implementing CSR. Due to the fast fashion movement where clothing has become a disposable item companies are faced with shorter production cycles and an increased pressure to lower prices. This has led the apparel industry to outsource production to low wage countries with the result of a complex and globally interlinked supply chain. Thus, it is a common problem that companies lack a proactive and long-term management style, which often leads to violations in social and environmental issues (Yperen, 2006, pp.2-6).

Textile production plays a great role in the world trade. Especially developing countries are relying heavily on the textile industry, as it is labour intensive and contributing greatly to their gross domestic product (GDP). These nations are mainly dependant on their exports to markets in the USA and the European Union. Consequently, the apparel industry builds the cornerstone for the industrialization process of developing nations (Habich, 2008). According to the Annual Report 2009-10 of the Ministry of Textiles “the Indian textile industry contributes about 14 per cent to industrial production, 4 per cent to the country's GDP [...] and provides employment to over 35 million people and is thereby the second largest provider of employment after agriculture” (IBEF, 2010). The global textile industry can be categorized into three central groups; the major consumption markets- USA, EU and Japan, the major production centres- Asia, Caribbean and Mediterranean, and the three major trading regions- North America, Europe and Asia (China National Garment Association, 2010).
2.5 The global value chain
The global economy is shaped by the internationalization of business. Due to the mounting pressure by customers to introduce new product to the market at low prices many textile companies have established decentralized production networks in low cost countries. Thus, much of the production activities are carried out by independent suppliers, which not only manufacture components but also end products. The products are manufactured according to the customers demand and will later be marketed as a branded product. The profit earning capacity in the value chain is highest where the entry barriers are highest; thereby the producer of the branded article has the highest profit margin. In contrast, the section of the value chain in which the supplier operates is characterised by fierce competition, low entry barriers and a low profit margin (Porter, 1999). Thus, large corporations often make use of their bargaining power by pressuring suppliers to lower prices and produce higher quality. The switching cost for international corporations to other suppliers is relatively low whereas the suppliers are highly dependant on the purchasing orders (Fassin, 2005). As a result, not only the product quality is compromised but also social and environmental factors are affected negatively. In this context Oxfam has made the assertion that “western textile companies follow two contradictory principles when it comes to dealing with their suppliers: They demand faster, more flexible and cheaper production in their supply chain but are undermining the very labour standards which they claim to be promoting” (cited in Müller-Christ 2006, p.12).

2.6 Stakeholders
According to Daniels et al (2009, p.269) stakeholders are a collection of groups that a company must satisfy to survive. From the definitions of CSR mentioned previously in this work it can be learned that stakeholders play a central role and can affect an organisation’s objectives. Stakeholders can be any group or individual that is affected by the activities of a firm or that has the power to exert influence. Possible stakeholders can be customers, suppliers, employees, investors, shareholders as well as the respective government and society. Moreover, these can be divided into two groups: primary and secondary stakeholders. The latter is concerned with those who the firm has obligations to but is not dependant on for its survival while primary stakeholders are those with whom the firm has a direct relationship with and without whom the firm would not be able to remain competitive in the market (Freeman, 1984, p.25).
The primary interest of a firm is to sell its products or services and achieve profitable returns. In this respect, the stakeholder theory serves the organization is generating long term growth and profit by striking an optimal balance in responding to the different stakeholder needs (Dawkins & Lewis, 2003, pp.185-193). Hence, the organization needs to know its primary stakeholders and their expectations and integrate these into their corporate strategy (Hardtke, Kleinfeld, 2010, p.46-48).

Furthermore, the identification of the firm’s stakeholders and their priorities highlights the three dimensions of CSR. These are the social, economic and environmental performance issues which will be discussed in the following section.

Figure 2: CSR Dimensions and Stakeholders

Source: UNIDO, 2002
2.7 The Need for CSR

“Corporate Responsibility should be seen as a journey rather than a destination, and as society’s expectations of business continue to get more demanding, the sooner companies start out the better” (Little, 2003).

The need for CSR can be illustrated through the three dimension- Social (people), Environmental (planet), and Economical (profit). These will be individually discussed in the following sections.

2.7.1 Social Issues

As corporations are integrated in the social system and dependant on the acceptance by society they carry responsibility toward it (Kilecullen & Kooistra, 1999). The growing demand for corporations to carry social responsibility can be traced to the increased demand and expectations of stakeholders, the pressure from society for more transparency and information, the increased responsibility of corporations for the entire value chain and the growing media attention (Wilkens, 2007).

Especially in the textile industry there are great problems concerning working conditions such as health and safety in the factories. Even though, many retailers and brand companies, in an attempt to counter these problems, have initiated codes of conduct and labour standards, these often lack implementation and control. “Tight lead times, late sample approval and last minute alterations to product specifications often lead to excessive overtime in garment producing countries” (Yperen, 2006). Moreover child labour, low wages, bad working conditions and bonded labour are common issues on manager’s agenda. Most factories run 24 hours a day, seven days a week (BLS, 2009). Due to unskilled workforce in the textile production, low productivity and high levels of reworking is often the result. It has been found that some workers in Chinese factories earn as little as 12 cents per hour (Hayden, 2008). The social issues occurring in the textile chain activities are illustrated in the following figure.
2.7.2 Economical Issues

The purpose of the economic component of CSR is to safeguard the firms’ long run competitive existence with regard to the social and environmental issues involved. It is important to consider the economical view, as the textile industry is an important sector that drives growth, production and employment to many developing countries. Thus, the agenda of the economical dimension of CSR is to consider the direct and indirect effects the firms’ activities have on its local community and its stakeholders. The textile industry, being very labour intensive, is an important driver for economical development, employment opportunities and has helped to alleviate poverty to a great extent. The economic success of a business has positive wide reaching effects on the community at large. Thus a successful and growing business produces employment opportunities, purchasing orders to suppliers and contributes to the wealth of others through tax contributions (Hayashi, 2005). As a result, it is important for a firm to consider the economic dimensions and align them with the social and environmental issues in order to allow for socially responsible behaviour in all three areas.
2.7.3 Environmental Issues

It is important for firms to consider their human footprint on the global environment, as they are largely responsible for environmental destruction. Resource usage, waste production and environmental degradation caused through human activity is warming the planet and will have abrupt and irreversible consequences (Rosa et al, 2010). Thus, it is essential for firms to fulfil their economic activities in such a way that environmental pollution is kept to a minimum. Especially the production processes involved in the manufacturing of apparel have enormous environmental consequences. These environmental issues involved in the value chain activities of the textile industry are illustrated in the figure below.

Figure 4: Environmental Issues involved in the value chain activities of the textile industry

Thus, it can be observed that water pollution, energy usage and the release of chemicals into the atmosphere are all consequences involved in the textile production processes. In order to help preserve the environment it is important to take precautionary measures. In this context many firms have taken initiatives to reduce material and energy usage, eliminate the employment of toxic material and reduce emissions and waste (Yperen, 2006). The Adidas Group has implemented environmental management system at their major sites and has encouraged their major suppliers to do the same. Moreover the implementation of its environmental indicator system provides information on the average consumption of
resources utilized per pair of shoes that is produced. In addition, Adidas has developed its Adidas green product range “a collection of footwear and apparel for men and women that minimises its environmental impact by using the natural resources involved in its production and packaging its products as efficiently as possible” (Adidas Group Report, 2008). However “most of these issues can only be solved voluntarily by firms […] as long as firms are not voluntarily sensitive to the environmental issues, the CSR practices related with environment will always be low” (Gunay, 2009, p.113).

2.8 Globalization and CSR
The concept of CSR has been heavily influenced by globalization. The creation of a new global order with the internationalization of business has shifted much power from the state to internationally operating businesses. As national law is no longer sufficient to control a business operating cross borders it is expected by society that firms take initiative to prevent unethical behaviour. Scherer and Palazzo (2008) support this argument claiming that globalization has weakened political authority to regulate activities of corporations operating on an international level. Thus, the states ability to protect the well being of society through the implementation of law is questioned. “The system of law and the enforcement apparatus of the state are incomplete and there is a likely possibility of regulation gaps and implementation deficits which have to be filled and balanced by diligent managers with pro-social behaviour and an aspiration to the common good” (Scherer & Palazzo, 2008). Moreover the fast flow of information via media sources such as the Internet allows for greater transparency and information access on a global level. Thus, it has become harder for businesses to hide unethical business practices in foreign countries.

The textile industry has been a driving force for the development and recognition of CSR through its internationalization of business. As mentioned in the forgoing chapters, fierce global competition, market saturation and price pressures have forced much of the apparel industry to relocate production to developing countries. Thus, allowing companies to offer its customers lower prices by reducing costs of production due to lower material and labour costs in developing countries. However, this has also translated into poor labour conditions and environmental damages through the increased use of natural resources. Non-governmental organizations (NGO) and the media have brought these issues to the attention of society prompting firms to implement organizational changes. In addition, the globalization of business and the developments in the travel industry have led to an increasing bargaining
power of customers. The market is being flooded with a wide range of products and brands, thus resulting in low switching costs for consumers. However, especially in the apparel industry consumers often buy a product that they can identify with and that reflects their lifestyle. Thus, in the fashion industry brand image is of great importance and can be a valuable tool in establishing a unique selling proposition (USP). In light of these developments, companies are faced with mounting pressure from society and have become more reliant on preserving their corporate integrity. As a result, globalization has enlarged the concept and practice of CSR and has transformed it into a heavily recognized phenomenon.
2.9 CSR as a Mean to Gain Sustainable Competitive Advantage?

Very often CSR is regarded as a cost and a sacrifice of profits used to support a social cause. However, various studies in this field have shown that an engagement in CSR can improve the financial performance of a firm. “Companies with a public commitment to ethics perform better on 3 out of 4 financial measures than those without” (Yperen, 2006, p.4). Furthermore, the level of a firm’s engagement in CSR is correlated to the demand of society for socially responsible behaviour. Thus, firms are responding to the demand of society as they are driving the demand for the product or service and thus determining the profitability of the company. Especially in the textile industry, which is subject to intensive competition, it is critical for firms to respond to changes and differentiate their brand from competitors.

Several economic benefits of an engagement in CSR have been recognized. Firstly, studies suggest that CSR is an important factor in attracting and retaining a talented workforce. “There is sufficient evidence that employees are more likely to stay with, and more likely to recommend, their employer if they perceive them to be socially responsible” (Yperen, 2006, p.5). Satisfied employees are likely to be more committed to their work and thus results in higher productivity. This perception is also shared by Stephan Harvey, Director of People and Culture, who said in a Microsoft press release “we believe that our employees are one of our strongest assets and by giving them the opportunity to do what they do best everyday our employees feel engaged and fulfilled in their roles” (Microsoft Press Release, 2003). Secondly, it has been found that CSR can serve as a tool for learning and innovation by responding to environmental and social risks. “A Cleaner Production project in the Vietnamese textile industry shows that a textile company saved US $58.400 per year by reducing reactive dyes input and by improving the process control of electricity and steam” (Yperen, 2006, p.5). Thirdly, brand reputation is very important to firms, especially those operating in the fashion industry. As mentioned previously customers are likely to buy clothes they can associate with. Thus, by building a strong and socially responsible brand image the company can manage and influence customers and stakeholders to support their business and buy their products. Further to this, an engagement in CSR will allow companies to be more competitive by informing consumers and stakeholders about their activities and operations and pulling them away from competitors. “As quality and service become easier for competitors to replicate, CSR has become a more important tool for companies to differentiate their brand” (Hilton & Gibbons, 2005). Another economic benefit of CSR is that companies can identify emerging risks more easily thereby allowing for more effective risk
management. Moreover an engagement in CSR will bestow a good image upon the company, thus attracting investors and providing access to capital. The FTSE4Good index, which was launched in 2001, incorporates companies that fulfil the criteria for good social behaviour. “The global index has significantly outperformed the FTSE All-World index”, which signalises that CSR has many advantages for firms (BSD Global).

“Generally stated, CSR leads to a more beneficial situation in terms of cost savings through improved working conditions, higher loyalty and productivity by workers, saved costs by energy efficiency and cleaner production and better opportunities for international trade and attracting foreign clients and financiers” (Yperen, 2006). Thus, it can be concluded that CSR can serve companies in gaining a competitive advantage, if measures are integrated properly into the business operations, monitored and communicated to stakeholders and society at large. However the firm needs to adapt a CSR strategy that is aligned with the firms’ strategy and economic objectives. Moreover, CSR will allow the company to foster relationships with other companies, trade unions and non-governmental organisations as well as with those directly involved in the company, customers and the public in general (European Union Conference cited in Davies et al, 2005).
2.10 Questions arising from the Critical Literature Review

While there is great accordance in literature, that there is growing need for CSR especially in light of the globalization process, much uncertainty remains about the scope and limitations of this concept. Due to conflicting definitions there appears to be much disagreement and debate about what CSR means, how it should be implemented and how it works in practice. As the term CSR is somewhat interlinked with making moral choices its definition is subject to individual perception. Every individual has their own morals and ideals which are greatly influences by the counties values and norms, thus in “going global” with a business these morals and ideals often clash. Hence, it is difficult to find a universal definition and application procedure for CSR.

Furthermore, there is much debate concerning the assumption of social responsibility by companies and whether it interferes and contradicts with a firm’s primary purpose to be profitable. The pressure from consumers for lower prices and better quality has resulted in firms cutting costs at another end in its supply chain. However, studies have shown that CSR is not an obstacle to a firm’s profitability but instead can be used vehicle in gaining a sustainable competitive advantage. In spite of this, geographical distances and outsourcing production to external suppliers raise questions about how to ensure and coordinate socially responsible practice. Even though many companies have implemented codes of conduct, in many instances it may not be possible for buyers to influence and supervise their suppliers and ensure that these rules are adhered.

In the next chapter the research questions and objectives from the critical literature will be presented and the research program that was conducted to answer these questions will be reviewed.
3.0 Methodology

The methodology represents an essential part of the thesis. The aim of this chapter is to outline the research process undertaken in order to examine the research questions and objectives. Relevant research philosophies from the critical literature review will be assessed and discussed. Moreover methods for data collection will be examined and general limitations of this thesis will be outlined. Furthermore methods used for mitigating problems in the research process will be revealed.

3.1 Introduction

Methodology can be defined as “the approach a researcher uses to investigate a subject. The methodology refers to the philosophical basis on which the research is based” (White, 2000, p.20).

Saunders et al (2006) describes research as a ‘process’ that involves a sequence of activities, which includes formulating and clarifying the research design, collecting relevant data and evaluating and analysing the results. Saunders compares the research process and its structure to the layers of an onion, the so-called ‘research process onion’. He argues that there are important “layers” which need to be “peeled away” in order to discover the central aspects. As the different layers are interconnected and share dependencies he argues that the research design should be followed starting with the outer layer which identifies the research philosophy working toward the centre until the fifth layer is reached. Figure 3.1 summarizes this research program.

Figure 5: The construction of the research program

<table>
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(adapted from Saunders et al, 2006)
3.1.1 Research Aims and Objectives
The research aim of this thesis is to investigate into CSR and reveal the motives for companies to engage in this concept. Moreover, the aim of this investigation is to discover whether CSR is a relevant factor in brand reputation management and to explore its possible impact on the competitiveness of companies in the textile industry.

Defining the desired research objectives and developing specific research questions facilitates the research procedure and demonstrates how the process of designing the research developed (Saunders et al, 2006). This argument is supported by Philips and Pugh who argue, “the classic position of a researcher is not that of one who knows the right answers but one who was struggling to find out what the right questions might be” (Philips & Pugh, 1996, p.48).

**Question 1: What is CSR, how can it be defined and what does this concept entail?**
Research Objective: To define the concept of CSR by looking at the different perspectives from valuable literature. Furthermore, to examine the viewpoints and expectations expressed by different stakeholder groups regarding a firm’s actions in CSR.

**Question 2: Why do many textile companies engage in CSR?**
Research Objective: To identify and analyze the rationales and objectives for the textile industry to engage in CSR. Moreover to look at the influences different stakeholders have had on company’s decision making to engage in this concept.

**Question 3: What role does branding play in the apparel industry and how is CSR relevant?**
Research Objective: To look at the importance of branding in the apparel industry and it’s effects on consumer buying behaviour. Moreover to examine whether an engagement in CSR can help build corporate brand equity.

**Question 4: Can an engagement with CSR help achieve a sustainable competitive advantage?**
Research Objective: To compare and contrast the advantages and disadvantages of this concept and to examine the influence a companies CSR engagement has on its profitability and competitive advantage.
The research questions and objectives will assist the author in detecting suitable research methods and relevant research philosophies.

### 3.1.2 Research Philosophy

Saunders et al (2006) argues that the term research philosophy relates not only to what constitutes knowledge but also the practice of producing and collecting valuable research. There are three major sociological methodologies that the researcher can approach in order to collect valid and reliable information. These three principles are positivism, interpretivism and realism.

The positivistic approach, in which research can be categorized, is based on direct observation, thereby focusing on facts by gathering quantitative data and analysing it statistically. Thus in this sense only empirical evidence is counted as valid evidence (Saunders et al, 2006). Easterby-Smith et al (2002) argue that the significance of positivism is that “the world exists externally, and that its properties should be measured through objective methods” (p.28). Thus, things that do not constitute of objective knowledge and facts cannot be accepted as valid evidence and knowledge. Interpretivism is concerned with people’s critical and conservative opinion of data. Thus the social world is continuously shaped by individual, subjective interpretation and is therefore seen to be relative to everything else (Saunders et al, 2006, p.106-107). According to Myers (1997) interpretivism is “concerned with the uniqueness of a particular situation, contributing to the underlying pursuit of contextual depth” (p.241). Lastly, a realist “believes in, and seeks to understand, the existence of an external and objective reality that influences people’s social interpretations and behaviours but which may not be perceptible to them” (Saunders et al, 2006, p.82). Thus what we believe to be real will influence our behaviour.

Having explored these three principles it can be concluded that a positivistic approach is not suitable for the chosen research topic because an “absolute reality” or a “single truth” is not given (Remenyi et al, 1998, p.32). As this work is concerned with the investigation of a contemporary topic which deals with a “real world setting” influenced by various unpredictable factors, neither is a realistic setting applicable for this study (Patton, 2002, p.39). Thus, it becomes evident that the interpretivist method seems to be most appropriate for this study. Husserl (1965) supports this argument in his work claiming, “interpretivists believe that reality is not objectively determined but socially constructed” (p.112). This
suggests that it is important to use qualitative data as participants explore the world and develop their own subjective thoughts and experiences.

However, it is important to consider the limitations of interpretivism, which is often criticised for relying heavily on subjective experiences and explanations. This could lead to unreliable and invalid results. Therefore the research questions were examined with an “open mind” realizing that multiple perspectives often lead to different and conflicting conclusions. The use of qualitative and quantitative research methods helps eliminate the problem of validity and bias.

3.1.3 Research Approaches
A research approach is often categorized as either deductive or inductive. The latter is concerned with the development of theories from the observations and data generated, thus moving from specific observations to broader theories. The premises thus provide reasoning to support the validity of the conclusion. Therefore the conclusion is probable, possible, reasonable and most likely to be true but there is no direct proof (Saunders et al, 2006). This approach is often used in areas where few accepted and established theories are available.

To the contrary the deductive research approach works from the more general to the specific. Deductive research involves the testing of a theory against selected data, from which a conclusion is ultimately drawn. The researcher develops a theory, tests this theory or hypothesis through experimental observations, which will ultimately lead to a confirmation or rejection of the original theory. In the deductive approach it is impossible for the premises to be true but the conclusion to be false and therefore the deductive argument is determined to be a guarantee for the validity of the conclusion (Saunders et al, 2007).

For this study a deductive research approach has been chosen as data and many models exist which can be tested. The concept of CSR can be traced back to the ancients, but has gained new and increased importance and has become a contemporary issue. Thus a large amount of literature is available in this subject matter both old and new which has been examined and evaluated in the literature review. A deductive research approach has also been taken for the collection of primary data as answers from interviews were critically compared to the theories and the literature. Whilst the deductive approach doesn’t allow for new ideas and information,
inductive arguments will assist the author to provide recommendations and ultimately formulate a conclusion.

### 3.1.4 Research Strategy

Research Strategy can be defined as “A plan or scheme by which the activity of searching for and assessing information found is carried out” (InfoSkills, 2010). The use of a research strategy will allow for a rich learning environment and helps to add structure to the research process. Due to the limited time scale in which this work was conducted the research strategy will ensure that the investigation is carried out in a systematic way (Saunders et al, 2006).

This study deals with the contemporary subject of CSR in the textile industry. For this purpose the use of qualitative data will serve as the appropriate research strategy allowing to test existing theories for their validity. Moreover the use of a wide variety of sources in both primary and secondary research will allow for a thorough understanding and insight into the topic from different angles. Generating rich data via different methods will support the author in answering the research question. In order to avoid an overload of information the author has limited the topic to the apparel industry and has structured the work in order to narrow results. The use of different keywords in library catalogues, the internet and databases will help to ensure that relevant information is retrieved. Due to the sheer magnitude and variety of information it is essential and time saving to record and organize the references.

A frequent problem with the research strategy is that researchers cannot fully avoid personal judgement and influence due to their involvement in the research domain (Yin, 2009). In an effort to eliminate bias, research has been carried out with an “open mind” and the use of pragmatism has facilitated the research process.
3.1.5 Time Horizon
This work is concerned with the phenomenon of CSR at a particular point of time. Yet this does not mean that past events are bypassed. Rather they are of great importance in placing this concept in its social context. The evolution of this CSR highlights the influencing rationales of why many textile companies engaged in this concept. This work is not focused on a specific time period but rather “aims to measure a current phenomenon” and is therefore a cross-sectional study (Remenyi et al, 1998).

3.1.6 Limitation
This work covers a very sensitive subject matter therefore requires a good understanding of the ethical issues involved in the stages of the research process. Under this ethical consideration it is essential that all information be handled with absolute confidentiality. A great constraint in the research process was to locate valuable interviewees who agreed to be questioned on this highly sensitive matter. Thus, this work is characterized by highly qualitative data analysis that allows for a more in-depth insight into the subject matter. Moreover the extraction of primary and secondary research has allowed for a greater understanding from both an internal and an external viewpoint.
3.2 Data Collection

3.2.1 Primary Data
The primary data is collected by the researcher with the purpose to serve a specific research project (Yin, 2009). Primary data is very important, as it is considered as a reliable and valid source. In addition the data is unique as it is not accessible to anyone else until the day the work is published. Primary data is therefore of great value in this study. There are various methods in which primary data can be obtained- questionnaires, interviews, observations, portfolios, etc. In this work the use of interviews was most appropriate to gather important information considering the topicality of the matter and time frame in which this work was conducted. Prior to the interviews, questions were prepared and moderated in terms of themes, and questions conforming to the interviewee’s position in the industry. Moreover, the questions were structured according to the different research objectives so that valuable information could be attained to support or question the information covered in the literature review. This allowed the author to test and evaluate the validity of the information by comparing the answers of the interviewees for contradiction and conformance. As a result of interviewing employees from different companies in different positions the author was able to acquire information and opinions from diverse views. By the way of cross-referencing the information attained from primary research with secondary research it was possible to avoid biased results.

3.2.2 Secondary Data
Secondary data is existing data that is collected by someone other than the current one for another specific project (Remenyi et al, 1998). Secondary data has served as a basis for this work and was used cautiously as a guideline in generating important and interesting interview questions. Thus allowing the author to obtain a better understanding of the subject matter and a good insight into existing literature. Background information was extracted from various sources such as the Internet, books, magazines, databases and television reports. Secondary data was scrutinized carefully as the author has placed great value on generating information only from valuable and reliable sources. Looking at various sources of evidence generated through multiple data generation techniques allowed for “data triangulation” or a “synergistic view of evidence” (Yin, 1994, p.90).
3.3 Limitations

The following are the study’s limitations

- Due to the time and word limit the author had to concentrate on core aspects in analysing the research questions. Therefore the amount of primary and secondary research was limited. Furthermore, the depth of focus is limited to a certain number of areas that could be considered. Thus, other interesting areas in the field of CSR are not discussed in this work.

- The concept of CSR dates back to the ancients. However it has gained increased importance in the modern business world. Thus, there are masses of information on this subject matter, which makes it impossible to obtain full knowledge in this field.

- It is important to highlight that due to the sensitivity of the subject matter the objective of obtaining and analyzing expert information in this field was severely restricted. Hence, many interesting personalities could not be questioned, as they did not want to be quoted on the record. Especially, questions concerning the importance and implementation of CSR 20 years ago were not very popular. Instead interviewees preferred to highlight current success in the realization of CSR measures. This leaves room for doubt as to firm’s engagement in CSR prior to the corporate scandals and disclosure of firms’ unethical behaviour in the media.

- It is vital to understand the importance of a researcher in conducting a study. Establishing a relationship between researcher and respondent is important in order to establish trust and receive reliable answers. However, attention must be paid to the effect and influence the respondent has on the researchers personal opinion. Thus, it is essential to stay objective and not to be influenced by personal bias. Moreover it is always important to consider the interviewees position and place yourself in his position in order to critically assess the validity of the answers.
3.4 Conclusion

This study is characterized by a mixed approach of both Interpretivism and Pragmatism. In addition a deductive approach was carried out throughout the research process. The use of both quantitative and qualitative data collection methods has provided the author with a profound understanding of the topic and has helped to counter problems of validity. It is vital to understand the role of the researcher and its significance in the data collection process. This will allow for credible research findings, which will be reviewed and discussed in the following chapter.
4.0 Findings and Discussion

In this chapter findings from the data, which was generated through the research methods described in Chapter 3.0, will be critically discussed and analyzed. Moreover, these will be compared and contrasted with the theories and concepts, which were introduced in the literature review. In regards to the research questions the author was limited by the factors outlined in Section 3.3.

Firstly, the rationales for textile firms to engage in CSR will be examined and discussed with reference to the qualitative data, which was retrieved through the interviews and the literature. Moreover, the perspectives from different stakeholder groups concerning CSR will be presented.

Secondly, the concept of brand equity will be examined and its increasing cognition as one companies’ most important asset. Moreover, the importance in building and managing corporate integrity will be discussed and its impact on business performance and value will be revealed.

Thirdly, it will be evaluated whether a firm’s engagement in CSR could serve as a sustainable competitive advantage in brand reputation management.

Finally, a conclusion will be given having assessed and discussed the literature concerning the topic. Moreover future predictions and areas for further investigation will be proposed.
4.1 Why an Engagement in CSR

The economists Bryan Husted and José de Jesus Salazar (2006) have examined the motivational drivers for firms to engage in CSR. The authors found that corporations commonly belong to one of the three categories when considering investing in CSR measures. The first category was identified as the altruistic, where a firm’s engagement in CSR is in no way linked to alternative objectives, such as profit maximization or building brand equity. The second category, called the egoistic, is where firms are forced to invest in CSR measures due to external pressures. The third category, identified the strategic, found that firms study the desires of consumers, employees and other valuable stakeholders to the company and integrate CSR as a mean to maximize profits, thus aligning its self-interest with that of its stakeholders. As a result the best possible solution, which brings the greatest benefit to both the firm and its stakeholders, is where a strategy is employed that entails both socially responsible activities and supports with firms objective to achieve economic success.

The textile industry is an important market sector, which has undergone a significant transformation in the process of globalization. The intense competition has prompted firms to relocate production and outsource to low-cost producers in developing countries. This has provided firms with new challenges, which are often referred to as the three dimensions of CSR- the social component, the environmental component and the economic component. These have been discussed in detail in Section 2.0 of this work. Moreover the lack of national control has contributed to the growing demand for CSR as discussed in Section 2.3 (Baumast & Pape, 2001, p.22). This view is shared by Barbara Neitzel, director product strategy s.Oliver, who claims in this context “s.Oliver is a global company with a majority of its business partners located in Asia. It is a known fact that social standards in Asia are enforced only to a certain extent or not at all” (Appendix 6).

Globalization has provided firms and individuals with new opportunities such as the advances and expansion of technology, the liberalization of cross border trade and the development of services to facilitate business operations such as those found in the financial sector. However critics of globalization claim, that “while globalization brings growth, it consumes more non-renewable natural resources and increases environmental damages” (Daniels et al, 2009, p. 15). The textile industry having entered the world stage with its global value chain, therefore is not only promoting economic development, providing wealth and employment to society but also responsible for large consumption of resources and air pollutant emissions.
Many prominent fashion companies have come under media scrutiny due to unethical labour practices in developing countries. Images showing Nike’s use of sweatshops and child labour have circulated the world and caused the company great damage (see Appendix 1). Whether the company was able to fully recover its image after these allegations is questionable. The name Nike is still often brought in connection with the scandal of 1997. The reports on firms operations abroad have caused a great stir and consumer outrage, which has resulted in greater interest and demand for transparency concerning companies operations abroad (Wilkens, 2007). Barbara Neitzel agrees with this view claiming “pressure groups like media or NGOs can seriously harm a company’s reputation when detecting unsocial working conditions in factories. So the development of a social compliance programme was also based on a risk prevention strategy” (Appendix 6). The increasing focus by society on firms practices has further been recognized by Volker Putzmann and Friedrich Knapp, New Yorker Group, claiming that in the progress of globalisation issues such as human rights and sustainable development in the production process have become an essential element of public discussion. Moreover the awareness of living- and working conditions in production locations outside of Europe has grown (Appendix 5). Thus, textile firms today are exposed to a greater extent to public awareness and media attention. As a result, the central agenda for companies to engage in CSR is to respond to public pressure and avoid a destruction of the corporate brand.

While a firm’s commitment to CSR stems from both internal and external pressures of different stakeholder groups, the concept can serve as a marketing strategy for company’s to create a distinction from competitors and build corporate identity. In a market where competition is high, firms need to adapt an individualised strategy in order to remain viable in the market. Thus, most products compete either on means of a cost or a differentiation strategy. Volker Putzmann and Friedrich Knapp highlight the growing importance for companies to add value to the brand and the risks that may arise by relying simply on a low cost strategy. Thus, suggesting that activities in the area of CSR are advisable (Appendix 5). This argument conforms with the view of Daniels et al. (2009, p.25) that in order to build a successful differentiation strategy it is important for a company to create a brand image that is valued by many customers. Thus, many companies have not only used CSR as a defence mechanism against societal pressure but have used the concept as a business strategy polishing the corporate brand image and thereby increasing the profitability of the firm (Daniels et al, 2009, p.25).
4.2 Building and Managing Corporate Brand Equity

"A house of brands is like a family, each needs a role and a relationship to others."
(Jeffrey Sinclair, Brand Strategist cited in All About Branding, 2007)

"I am irresistible, I say, as I put on my designer fragrance. I am a merchant banker, I say, as I climb out of my BMW. I am a juvenile lout, I say, as I pour an extra strong lager, I am handsome, I say, as I put on my Levi jeans"
(John Kay cited in All About Branding, 2007)

In the contemporary landscape branding plays an important role in a company’s operations and is vital in establishing a lucrative business. Consumers are provided with a wide selection of products labelled under different brand names and in only a few seconds they make the choice about which product they buy based on how they view the brand. Thus, it is up to the firm to design the product in a way or communicate a clear brand message so that consumers will be persuaded to buy their product and not that of competitors. By creating a brand the company is giving the product an individual identity aiming to attract as many consumers as possible. Considering a drug store and its wide range of product offerings in the area of hair care, what product attributes attracts the customer to buy a certain shampoo bottle? These everyday encounters and choices that we make highlight the interesting and immense influence that branding has on consumers’ decision-making process and the willingness to pay an ‘extra’ for a product carrying a brand name. Thus, ultimately it is not the product that is important but the brand that is visible on the product. Hence, it is important to distinguish between the term “product” and “brand”. According to Farquhar (1989, p.24) a product is “something that offers a functional benefit” whereas a brand is “a name, symbol, design, or mark that enhances the value of a product beyond its functional value”.

Especially in the textile industry it has become difficult to preserve the design and quality of the product, as fashion trends are easy to copy. Thus, branding has become more important and valuable in many cases than the companies tangible assets. “The measurement and management of brand equity have become top priority marketing issues in recent years” (Cobb-Walgren et al, 1995). An effective brand will help to build consumer trust and loyalty and differentiate the products from those of competitors. In the fashion industry, consumers tend to buy the brand, which they can associate with and through which they can express themselves. The above quote by John Kay supports this argument. Brands often convey an image, like a stereotype with which people get connected such as a BMW and a successful
businessman. Thus brands add value to the product, which in turn symbolizes the status of the customers buying the product.

Moreover, the brand logo plays an important role in the marketing strategy of the product. Considering the company Polo Ralph Lauren and its Polo Horse brand logo on its clothing one can observe that people are willing to pay a price premium for a Polo shirt even though they could find a similar shirt without the labelling for less money. However, it is not the shirt that is important to the customers but the labelling which conveys status. “When you think of the blur of all the brands that are out there, the ones you believe in and the ones you remember, like Chanel and Armani, are the ones that stand for something. Fashion is about establishing an image that consumers can adapt to their own individuality” (Ralph Lauren in Hal Rubenstein, 2007). Thus, the brand adds value to the product or service the company sells and allows it to charge a premium for their goods. The company is creating a lifestyle and culture by branding its products in a certain way and thereby attracting consumers that buy not only the product but also the philosophy behind the brand.

Furthermore, the concept of branding is interlinked to a firm’s profitability. If the corporate brand is perceived as positive more consumers are willing to buy the product. Thus, it can be argued that a successful brand drives financial performance. This argument is supported by Roberts (2002, p.115) who states that “an increasing number of firms are employing their corporate brand as a strategic marketing weapon in the marketplace to improve their financial performance”. Hence, branding is an important vehicle for a firm’s reputation and success. However they also require constant care and attention. Bad publicity creates potential for a domino effect that destroys the company’s image and thus damages the profitability of the firm.
The concept behind branding has evolved over the past decade and has become much more far reaching. “Brands are about lifestyle, values and self-image […] but people want to know more about the company behind the brand these days and this trend will continue (Peirce & Madden). Thus, many companies have responded to consumers demand for socially responsible behaviour and have initiated various projects to contribute to the well being of society in order to strengthen their brand. Many studies have found that a company’s engagement in corporate social responsibility can help build brand equity, as consumers will perceive the brand as positive and will be more willing to support and buy products under these circumstances (Lai et al, 2010). “Due to the positive effects of CSR participation and the negative effects of CSR violation, most companies today not only pay attention to CSR issues, but also actively participate in CSR activities” (Lai et al, 2010). This accords with the view of McWilliams et al. (2006, p.4) who stated that CSR “should be considered as a form of strategic investment’’ which “can be viewed as a form of reputation building or maintenance”. Some examples of CSR initiatives by companies will be given in the following section.
4.3 CSR as a Strategy to Gain a Sustainable Competitive Advantage in Brand Reputation Management?

Increased market competition and higher bargaining power of consumers have pressured company’s to distinguish themselves from competitors. Several studies have been conducted to reveal the relationship between CSR and competitiveness. The findings of these studies indicate that CSR can be viewed as a mechanism to achieve product differentiation and build brand equity. Siegel and Vitaliano (2006, p.776) suggest that, “CSR is a form of product differentiation, a form of advertising to establish or sustain brand loyalty”. Hence, CSR has developed into a strategic business opportunity for firms looking to obtain a USP. “CSR is important for all firms that try to maintain sustainable development and achieve competitive advantage” (Gunay, 2009).

As mentioned in the previous section a company’s brand is a reflection of its reputation. Due to the developments in the textile industry and increasing societal pressure for greater transparency and increased ethical behaviour, firms are offered new marketing opportunities but at the same time are faced with emerging threats. “Globalization has increased calls for Corporations to use firms’ resources to help alleviate a wide variety of social problems” (Hillman & Keim, 2001). In order for CSR to be successful the firm is required to go beyond the legal requirement and endow a visible benefit for all stakeholders involved in the organisational environment. Due to the fact, that local governments in developing countries are often unable or unwilling to deal with problems such as child labour or sweatshop use, it is expected by society that corporations take over responsibility and use their resources to counter these issues (Hilmann & Keim, 2001). Moreover, the fashion industry reckoned for its ephemeral nature, is increasingly directing attention toward branding and corporate integrity. As it is difficult to capture current trend due to the fast-fashion movement, firms have searched for alternative and more sustainable areas through which they can achieve a competitive advantage and distinguish themselves from competitors. This goes back to the point made in Section 2.9 quoting Hilton and Gibbons (2005) “as quality and service become easier for competitors to replicate, CSR has become a more important tool for companies to differentiate their brand.”
One of the main goals of branding is to increase trust and thereby establish consumer loyalty. The use of CSR as a marketing strategy to establish a good reputation is a common tool used in the fashion industry. “CSR investment may entail embodying the product with socially responsible attributes, which may involve the use of signals, such as the union label in clothing, that convey to the consumer that the company is concerned about certain social issues” (McWilliam & Siegel, 2001). As a result the consumer is enticed to support the cause and buy the product. Moreover, the firm is not only satisfying consumer demand but is able to benefit from this concept by enhancing its reputation and increasing profits. “CSR may be a popular means of achieving differentiation, because it allows managers to simultaneously satisfy personal interest and to achieve product differentiation” (McWilliam & Siegel, 2001). 

Jones (1995, p.432) highlights the importance of the stakeholder theory and suggests that ethical behaviour will serve in building a foundation of “trust” and “cooperation” between the firm and its stakeholders. Thus by managing and interacting with its principal stakeholders the company is able to develop a valuable long-term relationship through which it will ultimately achieve a competitive advantage. “Because the costs of opportunism and of preventing or reducing opportunism are significant, firms that contract on the basis of trust and cooperation will have a competitive advantage over those that do not use such criteria” (Jones, 1995, p.432).

Thus, a firm’s investment in Stakeholder relationship management is an important determinant in gaining and maintaining a sustainable competitive advantage. As stakeholders determine the success or failure of the company it is vital to build and foster a strong network. It has become apparent that there is growing support by society for sustainable products, which has triggered developments in the automobile industry with hybrid cars, the development in the food sector with organic and fair trade product and the use of organic cotton and sustainable material usage in the textile industry. As it becomes clear from the definitions of CSR given in Section 2.2 stakeholder play a central role in the discussion.
“Presently, stakeholders are requiring companies to go beyond the notion of strategic philanthropy and international codes of conduct. Investors want to see financial gains from their firms’ investments in CSR initiatives. Some governments have required large companies to conduct business in ways that make significant contributions to national and regional social and economic development. Non-governmental organizations (NGOs) and other civil society groups have demanded that companies adhere to very high standards that protect the environment and human rights as well as provide resources to local communities” (Reich, 1998 cited in Dan O’Brien, 2001).

This argument is supported by McWilliams and Siegel (2001) who argue that “managers continually encounter demands from multiple stakeholder groups to devote resources to corporate social responsibility. These pressures emerge from customers, employees, suppliers, community groups, governments and some stockholders, especially institutional shareholders.”

However, consumers must be informed about the company’s achievements in securing socially responsible behaviour. According to Volker Putzmann and Friedrich Knapp CSR is an increasingly important competitive factor. ‘Do good and talk about it’ is the matching credo […] Eventually the customer needs to be convinced, that the company from which they buy products is ‘good’ (Appendix 5). Thus, marketing is a very important component in communicating the firm’s engagement and convincing consumers to buy the product and trust the company behind the brand. In an attempt to demonstrate the firms ethical behaviour the use of the corporate website is a popular platform to inform customers. The Swedish textile retailer Hennes & Mauritz (H&M) incorporated an individual headline named ‘Corporate Responsibility’ on its webpage informing the public about its business operations. In this context the company claims,

“at H&M, quality is about more than making sure that our products meet or exceed our customers' expectations. It also means that they have to be manufactured under good conditions and that our customers must be satisfied with us as a company. Taking responsibility for how our operations affect people and the environment is also an essential prerequisite for H&M's continued profitability and growth” (H&M, 2010).
This statement interlinks with the assumption made in Section 2.9 that firms responsible behaviour is an important determinant for a company’s sustainability and profitability.

In Section 2.7.3 the environmental issues involved in the production process of the textile industry were discussed. It was suggested that preliminary measures are necessary for companies to reduce environmental damages. Thus many companies have developed alternative production techniques and material usage in order to reduce these negative effects. H&M has launched a selection of clothing manufactured using sustainable material. It is thereby clearly demonstrating its CSR engagement to the public and employing this as a marketing strategy to gain a competitive advantage.

Moreover, in Section 2.9 the FTSE4Good index was mentioned as an example demonstrating the correlation between CSR and financial success. In March 2003 Inditex, one of the biggest textile companies worldwide incorporating brands such as Zara and Massimo Dutti has formed part of the FTSE4Good Index ranking it among one of the most socially responsible businesses worldwide (Inditex Press, 2004). This growing awareness of CSR and financial success as two interlinked terms is also supported by Louche (2009, p. 211) who claims that “Investors are increasingly realizing that a proactive approach to the management of a firm’s social and environmental risks can result in considerable opportunities in both financial and sustainable value creation. This trend is being reflected in a significant increase in the number of corporations that are involved in what is called ‘Responsible Investment’ (RI) - that is approaches which integrate environmental, social, governance and ethical factors into investment processes”.

Hilmann & Keim (2001) suggest two forms of CSR engagement, the altruistic, which involves social participation by firms, and the strategic, which relates to stakeholder management. It was found that strategic social responsibility has a positive correlation with financial performance whereas altruistic CSR has a negative relation, thus emphasizing the value stakeholder management as a source for building competitive advantage. “To increase stakeholder value, a company must address the needs of its stakeholders more efficiently and effectively than the companies against which it competes” (Bennett Stewart cited in Hilmann & Keim 2001). This recaptures the significance of Carroll’s CSR four domains and pyramid model (Section 2.1), which identifies the firms responsibilities encompassing the economic, legal, ethical and discretionary toward its stakeholders and society at large. Hence, a firm can
create value by building a long-term relationship with its stakeholders and responding to their needs.

McWilliams and Siegel (2001) suggest that the level of investment by a corporation in CSR is based on a cost-benefit analysis. A firm’s willingness to invest in CSR measures is correlated to the extent to which stakeholders value the social attribute of the firm and are willing to pay for the product. Thus, suggesting that there is “an ideal level of CSR which managers can determine”. This stands in contrast to Friedman’s view (1970) who claims that managers are solely responsible to maximize returns and that social issues are the responsibility of the state (Section 2.1). Volker Putzmann and Friedrich Knapp when asked about their view concerning this assertion state that it is vital to make distinguish between manager and entrepreneur. While a manager is commonly under pressure by shareholders and investors to attain short-term success and cost factors are often perceived as a burden, a good businessmen on the contrary will plan ahead, knowing that the value of the brand is measured on more factors other than merely turnover figures. Thus, claiming that CSR forms part of these factors and that the brand will ultimately profit from the social engagement (Appendix 5). Hence, Friedman’s view is predominantly invalidated by the literature and studies in this field.

An apparent problem is that many consumers doubt the firms active engagement in CSR and perceive the actions by corporations as a mere marketing strategy attempting to “green wash” society. Labelling such as ‘eco-friendly’ or suggestive pictures on the product are not considered sufficient proof that the company is acting socially responsible. The numerous and conflicting definitions of CSR and the various implementation strategies, provide no clear control mechanism. Hence, it is important that the company communicates honestly about its CSR engagement and demonstrates its success providing hard data to support its claims, ensuring that consumers understand what the company has achieved. Volker Putzmann and Friedrich Knapp share this view, claiming that firms’ benefits resulting from an engagement in CSR are reliant on whether these activities are trustworthy carried out. If these actions are perceived as hypocritical window-dressing then this can even result in a drawback (Appendix 5).
In regards to this dilemma, many textile companies have collaborated with other firms, suppliers and NGO’s to support the common cause and successfully implement a strategy. This also enhances the credibility of companies, as NGO’s are perceived as trust-worthy by society. Todd Copeland, strategic and environmental materials developer at Patagonia, retailer for outdoor apparel, states in this context, “we discussed ways to educate other brands, encourage manufacturers and demonstrate how environmental progress can be rewarding and beneficial for all parties involved. Since we were all working toward the same environmental goals in our supply chains, working together was helpful for everyone. I realized other brands struggle as we do to do the right thing in a competitive industry and an uncertain economy” (Todd Copeland cited in The Cleanest Line, 2010). This argument is supported by David Birnbaum (2010) who claims that, “in order to successfully tackle compliance in sustainability and eco-friendly production in the textile and apparel industry, we desperately need to work cooperatively and intelligently. Some important considerations and suggested steps would include the creation of an independent non-profit organisation exclusively for the textile and garment industries, which all stakeholders may join”.

Thus, by working together with other companies and NGO’s firms are able unite their forces toward this common cause and at the same time can gain consumer trust, as non-profit organizations have increasingly gained media attention and credibility. Barbara Neitzel (Appendix 6) supports this view stating that, “a worldwide team and the co-operation with national and international organisations increase the seriousness of our work”.

Another important aspect that needs to be considered is that consumers have begun to take CSR for granted and thus are not necessarily willing to pay a high premium price for a product manufactured under socially responsible requirements. Barbara Neitzel, s.Oliver, confirms this view: “Most important stakeholders are our customers, retailers and consumer. Their role is important, because they all expect those CSR activities and “clean products” without any discussions[…] Especially in the fashion industry it is obvious that most of the stakeholder expect CSR activities but are not willing to honour this - e.g. by paying higher prices or with deeper loyalty to the brand” (Appendix 6).

Nonetheless it is vital to integrate CSR in all levels of the companies operations, to work together with supplier and implement codes of conduct and to continuously control and monitor that the firms operations comply with the CSR standards.
It can be concluded from this chapter that CSR can be used as a mean to satisfy different stakeholder groups and achieve a sustainable competitive advantage. Thus, both internal and external stakeholders are of great importance as they contribute to the companies’ efficiency and effectiveness in the market as indicated in Section 2.9. Especially in high-growth markets, such as the apparel industry, stakeholder management is a valuable source in gaining and maintaining a sustainable competitive advantage, as an intangible asset is difficult to duplicate by competitors. Moreover, a clear communications strategy needs to be established, informing society about the social, economical and environmental issues and the urgency to unite forces and tackle these problems. It must be understood that CSR is not something that can just be ‘added on’. An integration of CSR into the corporate strategy is essential in creating synergy and ensuring that all parties involved in the value chain activities work together to achieve a high level of integration. Thus, the aim is to create an optimal ‘win-win’ strategy where stakeholder’s demands are satisfied and a sustainable competitive advantage is achieved.
5.0 Conclusion and Recommendations

The overall aim of this investigation was to reveal the motives for textile firms to engage in CSR and to discover whether this could serve as a mean to gain a sustainable competitive advantage in brand reputation management. Hence, this chapter aims to recapture the important insights obtained in the process of writing this work and to evaluate whether or not there is enough evidence to validate the research question.

Firstly the concept and rationales of CSR were investigated. It was found that even though the concept is by no way new it has gained significance and interest due to several undesirable developments and apparent problems highlighted by society and economics. However it was found that there is little consensus as to what the term actually means and entails. Thus, the implementation and scope of adoption of CSR differs and an individualized strategy needs to be developed.

With regards to the second research question, of identifying the rationales and objectives for textile firms to engage in CSR, it was found that the growing pressure by stakeholders and intense media scrutiny have prompted firms to engage in this concept. This validated by the literature provided by Hartman et al (2007), McWilliams and Siegel (2001), Little (2003) Reich in Dan O’Brien (1998). Moreover the effects of globalization and the resulting increase in environmental damages and consumption of non-renewable resources have raised awareness about business practices. Thus, demanding firms to restructure their operations in an attempt to reduce the environmental footprint. Daniels et al (2009) and Hillman & Keim (2001) were valuable literature supporting this argument.

Thirdly the role and branding in fashion industry was examined. It was found that brands play a valuable role in the fashion industry but have become much more interchangeably. Thus it was found that CSR is used as a means to build corporate brand equity. Corporate scandals involving highly reputable brands such as Nike have raised consumer concern about the use of sweatshops and child labour, and have highlighted the precarious effects that companies face due to unethical behaviour. Thus, CSR has gone from optional to a necessity and has a positive influence upon a company’s value and business performance. These arguments were supported by Roberts (2002) and Daniels et al (2009).
The aim of the fourth research question was to investigate whether CSR can be used as a vehicle to achieve sustainable competitive advantage. It was found that especially in the textile industry, where consumers identify themselves and express themselves through brands, a company’s reputation is very important attributes. Firms are facing increased pressure to differentiate themselves from competitors and offer its customers some value added attribute. Hence, as products and quality are easy to duplicate by competitors, CSR and the network a company establishes with its stakeholders have become a tangible asset in gaining sustainable competitive advantage. Thus, in regard to the fourth research question it was found that the advantages of implementing CSR outweigh the disadvantages. Even though CSR requires the company devote additional resources to CSR, this should be regarded as a long-term investment rather than a short-term cost. This correlates with the assumptions expressed by Volker Putzmann and Friedrich Knapp (Appendix 5), Siegel and Vitaliano (2006) stating that CSR is a form of differentiation and Gunay (2009) who claiming that CSR can be a means to gain a competitive advantage.

To summarize, CSR is subject much debate and the expectations by society and scope of this term will continuously evolve as society and the economy evolves. This goes back to the assertion by Little (2003) “Corporate Responsibility should be seen as a journey rather than a destination, and as society’s expectations of business continue to get more demanding, the sooner companies start out the better”. Firm will always experience new social, environmental and economic challenges and will need to adopt measures accordingly. Thus, there is no standardizes implementation process for companies to adopt. Nonetheless, the concept of CSR has moved from ideology to reality. Due to the dispersed operations of textile firms and their powerful status, especially in developing nations, there is growing expectation for firms to contribute to the well-being of society especially in those countries were the government is unable or unwilling to enforce protective measures. The findings from both primary and secondary research clearly suggest that there is a strong link between CSR and corporate brand equity. There is sufficient evidence that CSR has become a necessity for firms to employ and that pressure groups represent a great threat to a companies reputation when detecting unethical practices. Finally, it can be concluded that CSR, if managed and controlled appropriately, will positively impact brand reputation and equity and thereby allow firms to gain a sustainable competitive advantage.
6.0 Areas for Further Research and Future Perspectives

There are several areas in this field of research, which could be explored in more depth and benefit from further investigation and analysis:

- Due to the sensitivity of the subject matter it was difficult to obtain primary data in form of personal interviews. Further research into this area would have allowed for a broader scope and greater insight into the opinions of experts, especially those active in the textile industry.
- Further investigation in form of surveys would have offered valuable insight in assessing the effect of ‘ethical’ products on consumer buying behaviour.
- In addition, further fashion specific case studies and data would have been useful in drawing clear conclusions and comparing the impact of a CSR engagement on the profitability and brand reputation of different textile firms.
- Due to the word and time limit it was not possible to explore further areas related to CSR. It would have been interesting to investigate the means by which textile firms evaluate the relationship between CSR engagement and performance. Moreover, the investigation into the concept of brand equity and brand reputation management could have been extended.
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Appendix 1: Images concerning Nike’s unethical operations

Source: Verloso (2008)  
Source: Zündstoff (2009)

Source: Photobucket
Appendix 2: Caricature demonstrating the dilemma manager’s face concerning ethical behaviour and profitability

“Gentlemen, we have a dilemma. Pollution scientists say it’ll destroy the ozone - however, Market Research predict it’ll sell like hot cakes.”

Source: John Morris
Appendix 3: Distribution of Profits in the Textile Industry

Source: Flanagan & Leffman (2001)
Appendix 4: Major Markets for Textiles 2007- USA & EU

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<th>Share (%)</th>
<th>Growth 2000-2007 (% pa)</th>
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Source: WTO (2008)
Appendix 5: Interview (New Yorker)

NEW YORKER Group-Services International GmbH & Co. KG
Headquarter Braunschweig, Germany
Fragen beantwortet von: Volker Putzmann (Marketing Director) mit Absprache von Friedrich
Knapp (Vorsitzender der Geschäftsführung; geschäftsführender Gesellschafter)

1. Was verstehen Sie unter gesellschaftlicher Verantwortung von Unternehmen
   (englisch Corporate Social Responsibility) und welche Rolle spielt es in Ihrem
   Unternehmen?

Jedes Unternehmen steht in einer besonderen Beziehung zu seinen Mitarbeitern, Kunden
sowie seinen Produktions- und Vertriebsstandorten. Sich gesellschaftlich und sozial zu
engagieren bedeutet zunächst, sich bewusst zu sein, wo die Basis für den wirtschaftlichen
Erfolg des Unternehmens geschaffen wurde und zu verinnerlichen, dass hieran
insbesondere die Mitarbeiter mit ihren Ideen und ihrer Arbeitskraft einen großen Anteil
haben.

Verantwortung gegenüber seinem Personal und der Gesellschaft zu übernehmen ist seit
jeher ein fester Bestandteil der New Yorker-Unternehmenskultur. Das Unternehmen hat
klein angefangen und ist dann rasant gewachsen, aber der Grundgedanke, dass wir eine
große New Yorker-Familie sind, ist immer noch so präsent wie in den Anfangsjahren.

Bezüglich der gesellschaftlichen Verantwortung engagiert sich unser Unternehmen
insbesondere in der Region Braunschweig durch verschiedene Projekte, die langfristig
angelegt sind und bei denen die Förderung und der Einsatz für Kinder und Jugendliche im
Fokus stehen. In diesem Zusammenhang ist auch die Initiierung, Verankerung und
Unterstützung der New Yorker Stiftung Friedrich Knapp erfolgt. Aber auch überregional
erfolgen entsprechende Engagements und Charity-Aktivitäten, sowie kurzfristige
dringende Engagements, wie die Unterstützung für die Betroffenen des Erdbebens in
Haiti.

2. Welchen Beitrag trägt die Firma New Yorker zur Förderung sozialer Standards und
   ökologischer Nachhaltigkeit? Ist CSR ein Thema in Ihrem Unternehmen?

Auf die gleiche Art und Weise, wie wir unseren Mitarbeitern und der Gesellschaft
genübervertreten, führen wir uns auch die Produktionsbedingungen unserer Lieferanten vor
Augen. Denn gerade in Zeiten zunehmender Globalisierung sind Themen wie
"Menschenrechte" und "nachhaltige Entwicklung bei der Produktion“ Bestandteil der
öffentlichen Diskussion.

Besonders gegenüber den Menschen, die an der Herstellung unserer Produkte beteiligt
sind, hat New Yorker daher eine große Verantwortung. Wir haben daher alle Lieferanten
verpflichtet, bei der Produktion der Ware die Menschenrechte einzuhalten und ihren
Angestellten gute Arbeitsbedingungen zu bieten. Ein sehr wichtiger Punkt ist dabei das
Verbot von Kinderarbeit. New Yorker verlangt außerdem angemessene Löhne sowie
geregelte Arbeitszeiten und Gewerkschaftsfreiheit.
New Yorker kennt seine meist langjährigen Produzenten gut und besucht regelmäßig und auch spontan deren Produktionsstätten, um die Einhaltung der entsprechenden Bedingungen zu überprüfen.

3. Im Zuge der Globalisierung haben viele Textilunternehmen ihre Produktionsstätten in Billiglohnländer verschoben. Wie hat sich aus Ihrer Sicht das Prinzip der gesellschaftlichen Verantwortung über die Jahre entwickelt?

Im Sinne einer kosteneffizienten Produktion sind auch Produktionsstandorte, die außerhalb Europas liegen, zunehmend in den Fokus gerückt. In diesem Umfeld ist auch die Wahrnehmung der dortigen Lebens- und Arbeitsbedingungen bewusster geworden, nicht zuletzt auch durch entsprechende Berichterstattung und öffentliche Diskussion über Standards, Normen sowie Mindestlöhne.

4. Viele Manager haben Kritik an der Ordnungsverantwortung von Unternehmen geäußert, mit dem Argument, dass somit das Unternehmen zusätzliche Kosten tragen müsse, für die der Staat zuständig sei. Welche Meinung vertreten Sie in diesem Zusammenhang?


5. Wie verantwortungsvoll verhalten sich deutsche Unternehmen im Ausland? Wird dieses Konzept Ihrer Meinung nach in die Tat umgesetzt oder dient es lediglich als eine Marketingstrategie, die Kunden irreführt?

Wir können hier nicht für die ganze Branche sprechen, da die Unterschiede zwischen den Unternehmen und ihren Zielen teilweise recht groß sind.


6. Bei dem Preiskampf der Unternehmen, den Kunden durch möglichst günstige Preise zu locken, ist es überhaupt möglich soziale Verantwortung zu übernehmen und dennoch Profit zu erwirtschaften?


7. Wo sind die Grenzen der gesellschaftlichen Verantwortung? Wenn soziale und ökologische Standards zu hoch angesetzt werden, lohnt sich dann noch die Auslagerung der Produktion ins Ausland? Welche Auswirkungen hätte dies?

Gesellschaftliche Verantwortung ist mehr als die Berücksichtigung von sozialen und ökologischen Standards in den Produktionsländern. Wenn hier die Kosten steigen, wird das sicher Auswirkungen auf den globalen Markt haben. Wahrscheinlich werden dann Unternehmen, die sich nur über den Preis definieren, in der Zukunft Schwierigkeiten bekommen.

8. Welche Standards müssen Ihrer Meinung nach Textilunternehmen zur gesellschaftlichen Verantwortung einhalten?


Im Hinblick auf die soziale Verantwortung sind die unter (2) genannten Punkte sehr wichtig und sollten, soweit noch nicht geschehen, auch entsprechend verbindlich verankert werden.

9. Sorgt ein Engagement der gesellschaftlichen Verantwortung als Mittel zur Sicherung einer eigenen Identität? Kann diese Strategie zu einem Wettbewerbsvorteil verhelfen?

Corporate Social Responsibility ist tatsächlich ein zunehmend wichtiger Wettbewerbsfaktor. „Tue gutes und rede darüber“ ist das dazugehörige Credo, nach dem viele Public-Relations Abteilungen in den Unternehmen arbeiten.

Für alle Aktivitäten gilt allerdings: der Anspruch eines nachhaltigen und sozialen Wirtschaftens muss nachvollziehbar sein. Schlussendlich sind es die Kunden, die davon überzeugt werden müssen, dass es ein „gutes“ Unternehmen ist, wo die Waren eingekauft werden.
10. Ist das Konzept der gesellschaftlichen Verantwortung eine kurzfristige Modeerscheinung? Welche Rolle wird CSR, Ihrer Meinung nach zukünftig spielen?

Gesellschaftliche Verantwortung ist seit mehreren hundert Jahren ein Leitbild für zahlreiche Unternehmen. Es geht ja, richtig verstanden und umgesetzt, nicht nur um oberflächliche PR-Maßnahmen um einige schnelle Headlines zu erhalten, sondern um die Schaffung eines positiven Klimas für alle Beteiligten – Kunden, Mitarbeiter und die Bevölkerung. Die wichtigste Form dieser Verantwortung ist die Schaffung von Arbeitsplätzen – und in der Folge somit auch Perspektiven für die soziale Absicherung in der Zukunft.
Appendix 6: Interview (s.Oliver)

s.Oliver Bernd Freier GmbH & Co. KG  
Headquarter Rottendorf, Germany  
Questions answered by: Barbara Neitzel (Director Product Strategy)  
(Formerly responsible for building up the s.Oliver Sustainability system)

1. **What does Corporate Social Responsibility mean to your and what role does it play in your company?**

Sustainability means to me, taking care of social, environmental and economical needs. It is a basic demand for the action and interaction of companies and also of each human being, to meet the needs of current and future generations. It plays an important role in our Company, because all our sourcing co-operations are based on our Sustainability standards. s.Oliver is a global company with a majority of its business partners located in Asia. It is a known fact that social standards in Asia are enforced only to a certain extent or not at all. s.Oliver however does not want its business success to be based on unethical working conditions. s.Oliver also is concerned about its image in the community regarding working conditions in its supply chain. Pressure groups like media or NGOs can seriously harm a company’s reputation when detecting unsocial working conditions in factories. So the development of a social compliance programme was also based on a risk prevention strategy

2. **In what ways does s.Oliver engage in CSR in regards to social and environmental protection?**

s.Oliver CSR engagement has got roughly 3 main parts  
• Most important is the code of conduct for all social and safety affairs  
• Part two is keeping all legal regulations regarding harmful substances in textiles  
• The third part, which we did not emphasis very much up to now, is taking care of the environment during production processes. Of course we prefer suppliers with e.g. a closed internal water circulation for treatments (as for denim productions), but it is not yet a detailed catalogue of demands, like the code of conduct

3. **When did s.Oliver begin to engage in CSR?**

s.Oliver started very early and seriously to implement a sustainability system. The first code of conduct for our suppliers in Asia was developed and established in 1998.

4. **To what extent do you believe social responsibility is task of business? Should there be more legal regulation for firms regarding the engagement in CSR?**

Social responsibility is definitely a constant task of business, but I don’t think that more legal regulations are needed. Each country has detailed laws, with rules and definitions for e.g. minimum wages, working hours, insurances, etc. If these laws were kept by everybody, we would not need so many additionally CSR activities. And the main aspect, the attitude of a company towards CSR, cannot be managed by legal regulations.
5. **By what means can s.Oliver ensure that the CSR standards are employed especially with production locations in different countries and a complex supply chain involving different suppliers?**

Overall responsible for monitoring and developing the system is our sustainability team in the head quarter. Our international sustainability team does the detailed monitoring with at least one sustainability co-ordinator per country.

The s.Oliver Sustainability Programme is successful in a way that we have transparency of about 85% of the supply chain including sub-contractors and nominated sub-suppliers. With the approach of seeking 100% transparency we have been continuously broadening the auditing activities to include all our suppliers e.g. direct suppliers, external agencies, licence partners and point-of-sales suppliers. There also has not been any bad media about conditions in the s.Oliver supply chain so far like some of our competitors had to face. However, our experience shows that suppliers often still see sustainability activities as a requirement that needs to be fulfilled in order to do business with s.Oliver. They lack the commitment to really be sustainable on their own. That is one reason why those suppliers only rectify critical points, but do not improve to a satisfactory level in our social compliance system. Another problem, which we continuously face, regards the transparency of sub-contractors. It is difficult to find out all sub-contractors used in our supply chain for they are often not (completely) revealed by the suppliers we work with. Suppliers also become more and more creative in passing an audit. They, for example, fake documents or train workers. This makes it challenging for our internal auditors to assess the real conditions in factories.

6. **Do CSR standards vary in different operating countries? If so, in what ways and why?**

At present we have a two-fold system, which differs by the type of supplier involved. Suppliers of our agencies including their sub-contractors and sub-suppliers are monitored in the framework of our internal Sustainability programme with the help of internal auditors. These auditors are employees of our agencies in the sourcing markets. All other partners of our supply chain, namely direct suppliers, licence partners, external agencies and point-of-sales-suppliers are covered within the framework of the BSCI monitoring system (www.bsci-eu.org ), of which s.Oliver is a member since 2007. Those suppliers are being checked by 3rd party auditing companies accredited by the BSCI. The two systems are identical regarding the social requirements for the supplier but differ in their scope. s.Oliver’s internal system checks sub-contractors and sub-suppliers and conducts pre-order assessments which are not part of the BSCI monitoring framework. The reason for having these two systems is mostly based on the geographical locations of the suppliers. BSCI-covered suppliers can be spread in Asia, East-Europe and North Africa making it difficult for our internal auditors to assess the factories in terms of language abilities and distance. We also use the BSCI-system as a “quality check” of our own monitoring system by conducting verification audits on a regular basis.
7. **How has the concept of CSR developed and what role do stakeholders play in this context?**

Starting with the first steps especially for Asia in 1998, s.Oliver meanwhile has established a social compliance system that strives to eliminate unsocial conditions in the value chain and takes care of environmental aspects. A worldwide team and the co-operation with national and international organisations increase the seriousness of our work. Most important stakeholders are our customers, retailers and consumer. Their role is important, because they all expect those CSR activities and “clean products” without any discussions.

8. **Do you undertake programs to raise awareness, among both internal and external stakeholders, about the urgency and obstacles of CSR?**

There is only in-house information:
- Quarterly reports for ten top management to shows the shares of the categories: good - improvement required - critical – crucial
- Information for our sales team in the call centre
- A top actual FAQ catalogue, to enable the colleagues who are in contact with our customers to answer the most frequently asked questions

Besides that, our international team is always in discussion with our business partners, to explain not only the needs of CSR but also our system. Part of this system is not only to demand the keeping of our standard, but also to do a certain coaching and to give support on that way.

9. **How is s.Oliver’s engagement in this concept visible to consumers? Is CSR a valuable marketing tool in building brand equity?**

We decided not to go into active communication on the consumer side. Being aware, that we will not be able to keep all aspects a hundred percent worldwide, all time, we do not want to highlight CSR. We are working constantly on approving the system and the result, but we do not want to spend too much time on marketing aspects. And also we do not want to educate the consumer. We take our efforts in this field for granted and do not see the need to advertise the programme for this very reason.

10. **Is an engagement in CSR necessary to remain viable in the fashion industry or is it only something that may confer a value-added attribute to the product?**

CSR should be a matter for a company that is not necessarily connected to a product or a direct benefit. Especially in the fashion industry it is obvious that most of the stakeholder expect CSR activities but are not willing to honour this - e.g. by paying higher prices or with deeper loyalty to the brand.

11. **In the light of the economic crisis, has CSR received greater attention and relevance or did firm limit their engagement in order to cut back additional costs?**

For s.Oliver the economic crisis did not change anything in the CSR programme.
12. What is your greatest achievement concerning your engagement in CSR?

The greatest achievement is that CSR is a constant in the company and is not put into question; even there is a crisis like the economic crisis of 2008/2009.

13. Many people perceive CSR to be “hype”. What relevance do you believe corporate social responsibility will have in the future?

CSR should not be treated as a trend. It will be relevant for all companies, which take their responsibility for society and environment seriously.

14. Additional comments

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Appendix 7: Interview (Closed)

Closed GmbH
Headquarter Hamburg, Germany
Fragen beantwortet von: Frau Stefanie Koch (Bekleidungstechnikerin)

1. Was verstehen Sie unter gesellschaftlicher Verantwortung von Unternehmen (englisch Corporate Social Responsibility) und welche Rolle spielt es in Ihrem Unternehmen?

Ich verstehe unter CSR, dass ein Unternehmen sich um soziale, ökonomische und ökologische Belange nach innen (Mitarbeiter, Struktur und Organisation) und nach aussen (Geschäftspartner beziehungsweise Länder in denen er produzieren lässt) interessiert und kümmert. Dabei sollte im eigenen Unternehmen, die Mitarbeiterzufriedenheit an erster Stelle stehen. Davon haben beide Parteien einen Vorteil. Der zufriedene Mitarbeiter bringt mehr Leistung, wovon das Unternehmen auf allen Ebenen nur Profitieren kann. Nach aussen sollte sich das Unternehmen ökologisch und ökonomisch engagieren, d.h. ein verantwortlich und bewusster Umgang mit Ressourcen, Weltschätzen und menschenwürdigen Arbeitsbedingungen. Ich bin nicht gut darüber informiert, welchen Stellenwert oder Projekte Closed in Hinblick für CSR nach innen und aussen macht, aber da wir ein relativ transparentes Unternehmen sind und ich mit vielen Abteilungen arbeite habe ich das persönliche Gefühl, dass CSR nicht eine große Rolle im Moment spielt.

2. Welchen Beitrag trägt die Firma Closed zur Förderung sozialer Standards und ökologischer Nachhaltigkeit? Ist CSR ein Thema in Ihrem Unternehmen?

Computerprogrammen wie Excel. Das Unternehmen stellt den Mitarbeitern kostenlos Getränke (Kaffee, Tee und Wasser) während der Arbeitszeit zur Verfügung.

3. Viele Manager haben Kritik an der Ordnungsverantwortung von Unternehmen geäußert, mit dem Argument, dass somit das Unternehmen zusätzliche Kosten tragen müsse, für die der Staat zuständig sei. Welche Meinung vertreten Sie in diesem Zusammenhang?


4. Welche Standards müssen Ihrer Meinung nach Textilunternehmen zur gesellschaftlichen Verantwortung einhalten?

- Vermeidung und Engagement gegen Kinderarbeit
- Kontrolle und Förderung von menschenwürdigen & sozialen Arbeitsbedingungen und gerechter Entlohnung im eigenen Unternehmen und bei Produzenten im Ausland im Rahmen der Möglichkeiten
- Vermeidung von Schadstoffen in den Produkten (Gifte in Materialien, Farbstoffen etc.)
- Verantwortung gegenüber ökonomischen Belangen (z.B. Recycling, Tierschutz und Umweltschutz)

5. Sorgt ein Engagement der gesellschaftlichen Verantwortung als Mittel zur Sicherung einer eigenen Identität? Kann dies zu einem Wettbewerbsvorteil verhelfen?

6. Wie tragen Sie zu einer Steigerung der Wahrnehmung von internen und externen Interessenvertretern über die Problematik bei?


7. Viele halten gesellschaftliche Verantwortung von Unternehmen für einen Hype (kurzfristigen Medienrummel). Welche Rolle wird CSR, Ihrer Meinung nach zukünftig spielen?