Development from the ‘inside-out’?
CSR and the construction of working conditions in Indian SMEs

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Abstract
Small and medium suppliers in developing nations are often made scapegoats in relation to maintaining appropriate working conditions. Limited research has been conducted, however, to shed lights on the internal perspectives of suppliers in developing nations. The extant research, nevertheless, relies on stereotypes and lacks theoretical rigor. Qualitative interviews were conducted with owner-managers, workers and various other relevant actors in Tirupur, the knitwear capital of India. An integrated theoretical framework composed using various constructs of institutional theory and organisational sensemaking guided the data analysis. The empirical findings revealed that small and medium suppliers in developing nations are not passive. They interpret the institutional influences and respond to them in different ways at different points in time where passive conformance is just one possible response. Contributing to critical CSR, the development agenda is thus informed in new ways.

Introduction

The development agenda is dominated by the view that Western multinationals bring investment and improved standards to developing countries, which results in positive social change and is a central part of the development process (Jenkins, 1987; Lall & Narula, 2004; Narula & Dunning, 2010; Ramamurti, 2004). In recent years, critical voices challenging this view have begun to emerge (Banerjee, 2007; Boje & Khan, 2009; Frynas, 2008; Prieto-Carron, Lund-Thomsen, Chan, Muro, & Bhushan, 2006). While neo-classical economists argue that the free market is an efficient tool for resource allocation and guaranteed resource flow to the poor (Arnold & Hartman, 2005; Jenkins, 1987), critics argue that it has also made it possible for transnational corporations to relocate labour-intensive production activities to areas where raw materials and labour costs are lower and the authorities less inclined to impose regulatory compliance (Fuentes-Garcia, Nunez-Tabales, & Veroz-Herradon, 2008).
The neo-liberal global economy is sometimes characterised as a global sweatshop that allows Western multinationals to exploit cheap workers and lower standards of working conditions, generating a conflict between economic growth and social justice (Arnold & Hartman, 2005; Monshipouri, Jr, & Kennedy, 2003). In response, promoting ethical labour practices throughout the supply chain is a significant element of the CSR agenda of transnational corporations, often referred to through the moniker of ‘responsible sourcing’ (Henkle, 2005) by companies such as Unilever, Mothercare, John Lewis Partnership, Microsoft and Nestlé. A range of research has sought to understand these processes, and particularly the failure of supplying companies, usually SMEs, to comply with regulatory standards (Akorsu & Cooke, 2011; Fuentes-Garcia et al., 2008; Welford & Frost, 2006). A common characteristic of these agendas is that they view development as something imposed on the developing country in question.

Our focus is on the working conditions element of corporate social responsibility. There are semantic challenges here, with relevant studies labelled variously as, for example, employment relations (Ram & Edwards, 2003); industrial relations (Barrett & Rainnie, 2002); people or human resource management (Cardon & Stevens, 2004); CSR (Perrini, Russo, & Tencati, 2007); responsible entrepreneurship (Azmat & Samaratunge, 2009); and ethics (Spence, 1999; Spence & Painter-Morland, 2010). While there are different emphases within these studies, the term ‘working conditions’ captures –“the opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men” (ILO, 2013)- and is the terminology adopted throughout.

We focus on an indigenous business community - a cluster of Indian small and medium sized enterprises in the garment industry - and seek to understand their perspective on one aspect of development, worker labour standards. In this sense, we seek to add to the debate around the role of corporate social responsibility in development. However, rather than understand development as an externally driven process, we consider the view from the inside-out, that is, the nature and experience of the formulation of labour standards by those at the sharp end of their implementation, small suppliers. In the extant literature and the media, suppliers are often positioned as the villain of the piece (Khan & Lund-Thomsen, 2011). There are high
profile examples, such as the recent appalling safety standards and subsequent collapse of the Rana Plaza building in Bangladesh, which housed five garment factories. Less attention, however, is given to the internal perspectives of the suppliers themselves, and indeed what the real circumstances are in the many millions of businesses which fall under the global media radar but nevertheless provide much needed employment and constitute the day-to-day lives of large sections of the local population. We consider that to better understand development we must not only look to externally imposed standards, but also to the local institutional practices and individual process of sensemaking. Accordingly we seek to answer the question of how working conditions are constructed in developing nation SMEs that are part of global supply chains.

**Literature review**

The extant literature relating to working conditions in supplier firms from developing countries originates from the global supply chain perspective. Such work often takes a top-down and determinist view of the impact of structural components of the organisational context on working conditions. For example, working conditions are seen as influenced by institutional disequilibrium between developed and developing nations (Ciliberti, de Haan, de Groot, & Pontrandolfo, 2011; Luetkenhorst, 2004). Other influences include aspects distinct to developing nations, such as resource availability and infrastructural developments, corruption, and lack of legal enforcement (Akorsu & Cooke, 2011; Azmat & Samaratunge, 2009; Olken & Pande, 2011). Industry-specific characteristics are also cited, such as trade policies, labour regulations, advancements in production processes, or product and labour markets (de Neve, 2008; Hale & Shaw, 2001; Schmitz, 2006). Others have identified the influence of the nature of obligatory and voluntary monitoring initiatives (Kolben, 2004; Nadvi, 2008; Stigzelius & Mark-Herbert, 2009).

While this research has moved debate forward by delineating some of the influences on working conditions in developing countries, the global supply chain perspective fails to adequately acknowledge the differences between large, small and medium suppliers (with exceptions such as Ciliberti, de Groot, de Haan, & Pontrandolfo, 2009; Ciliberti, Pontrandolfo, & Scozzi, 2008; Luken & Stares, 2005). Instead, ‘suppliers’ or ‘sub-contractors’ is used in a generic sense to cover all types of supplying firms. These literatures understate the heterogeneity of suppliers, not least according to their size.
Small and medium firms are typically very different from large firms (Rosenbusch, Brinckmann, & Bausch, 2011; Russo & Perrini, 2010; Terziyovski, 2010). SMEs are generally reactive, independent, multi-tasking, cash-limited, founded on personal relationships and informal strategies, actively managed by owners, highly personalized, largely local in their area of operation and largely dependent on internal sources to finance growth (Perrini et al., 2007; Qian & Li, 2003; Terziyovski, 2010). Much of the extant research has focused on SMEs in developed countries. There are nevertheless indications of similarity in developing countries, though with a still greater emphasis on the smallest micro-enterprises, familial and cultural obligations and the informal economy (de Arruda, 2011; Jamali, Zanhour, & Keshishian, 2009; Srinivasan, 2011).

Working conditions in SMEs are often a reflection of the characteristics of SMEs such as informality and flexibility (Cardon & Stevens, 2004; Ram, Edwards, Gilman, & Arrowsmith, 2001), resource dependency (Graham, Murray, & Amuso, 2002; Lepoutre & Heene, 2006) and external influences such as industrial subculture (Martin, 2012; Ram, 2000). In addition, other elements proposed include product or market structure and inter-firm relations (MacMahon, 1996; Turner & Morley, 1995), labour-market conditions, technology (Gunnigle & Moore, 1994; Harney & Dundon, 2006; Wilkinson, 1999); legislation (see, Harney & Dundon, 2006; MacMahon, 1996); and socio-cultural influences (Jones & Ram, 2007, 2010). Others aver that working conditions reflect the characteristics or personal values, priorities, culture, social relations and attitudes of the firm’s owner-manager (Eakin, 1992; Hasle, 2000; Hasle & Limborg, 2006). Here, the owner-manager is emphasised as the dominant actor and the sole decision-maker in association with any internal changes. Thus it is claimed that the owner-manager is “like an octopus” (Hasle & Limborg, 2006) who manages and mediates the issues associated with working conditions. These scholars mainly attempt to document how owner-managers’ personal values and priorities influence the organisational culture, social relations and attitudes of the firm (Hasle, Limborg, Kallehave, Klitgaard, & Andersen, 2012).

A number of scholars have sought to develop multi-level research, which highlights the totality of these structural and individual influences on working conditions (Barrett & Rainnie, 2002; Edwards, Ram, Gupta, & Tsai, 2006; Harney & Dundon, 2006; Ram & Edwards, 2003). This line of thought is informed by a conception of SMEs as “complex social organizations” (Edwards et al., 2006, p. 703) that are “dynamically connected” (Gilman, Edwards, Ram, & Arrowsmith, 2002, p. 66). Consequently, disentangling the complex
interrelationships between external influences, internal dynamics and internal actors is key to understand working conditions in SMEs (Arrowsmith, Gilman, Edwards, & Ram, 2003). The core argument of the proponents of this line of thought is that when analysing working conditions in SMEs “both structure and human agency should be taken into account, and this requires a consideration of the influence of the owners and the managers of the firm as well as the structural determinants” (Barrett & Rainnie, p. 427).

These studies appreciate the importance of interaction between structure and agency, and the need to consider both in order to explain the complex construction of working conditions in SMEs. They tend, however, to understate the role and scope of owner-managers’ agency, taking a macro-structural focus, which results in micro-level processes being relatively under-explored. Our study is guided by the assertion that “clearly product and labour markets are important; hence due attention has to be paid to the ways in which small firms articulate with the broader economy and locality. But equally significant are the ways in which managers … interpret such markets. For example, managerial responses to the product market will rarely follow some prescribed ‘rational’ route” (Ram & Edwards, 2003, p. 726). Furthermore, these studies have largely neglected to take into account SMEs in developing nations that are part of global supply chains. There are studies on the small and medium sized suppliers of retail chains (see, Ram’s (1991) study on small firms in the UK clothing retail chains), but again these suppliers are based in the developed world.

Rather than adopt one of these approaches to the exclusion of the other, we seek to both theoretically and empirically explain the processes associated with the construction of working conditions in SMEs in developing nations that are part of global supply chains. We do this by integrating both structure and agency through a theoretical framework, which combines institutional theory and organisational sensemaking. Our research question is thus: How are working conditions constructed in developing nation SMEs that are part of global supply chains?

**Theoretical framework: Integrating institutional theory and organisational sensemaking**

Various scholars have argued that institutional theory and sensemaking theory can be effectively combined to explain social phenomena (Clark & Geppert, 2011; Geppert & Clark, 2003; Jensen, Kjærgaard, & Svejvig, 2009; Schultz & Wehmeier, 2010; Weber & Glynn,
This study complements this strand of research, and we believe that connecting these two approaches allows us to traverse across multiple levels of analysis and provide a deeper understanding of the construction of working conditions in SMEs in developing nations that are part of global supply chains.

Institutional theories are traditionally applied to understanding macro domains, whilst the sensemaking approach is applied at the micro level. However, recently scholars have begun to promote the juxtaposition of the two. Although both theories address related social phenomena (Weber & Glynn, 2006), a traditional institutional perspective is more useful in explaining how structural elements – in the form of political pressures, institutional constraints, and professional traditions – construct the context, and less useful in explaining how individuals respond to these institutional pressures (Jensen et al., 2009). While acknowledging that institutional pressures are in general exerted as a top-down process from the society and organisational field on organisations and individuals, it is necessary to acknowledge that bottom-up processes also impact upon these structures (Jensen et al., 2009; Weber & Glynn, 2006). Acknowledging this reciprocal interaction between multiple levels facilitates an understanding of the connections between macro-level structures and local subjective sensemaking processes (Jensen et al., 2009).

Institutional influences are always inclusive, interdependent, mutually reinforcing and misaligned, providing scope for actors to deploy their agency (Scott, 2008; Strang & Sine, 2002). These multiple, differentiated and partially conflicting institutional spheres provide actors with access to infinite possible interpretations. In other words, the messages delivered by these institutional elements are ‘equivocque’ in nature (Weick, 2001); that is, “something that admits of several possible or plausible interpretations and therefore can be esoteric, subject to misunderstandings, uncertain, complex, and recondite” (Weick, 2001, p. 148). Individuals attempt to ‘edit’ these equivocque messages in order to make sense of them, and their responses are based on the way they make sense of the institutional influences.

As Fligstein (2001, p. 111) states, “actors, under both stable and unstable institutional conditions, are not just captured by shared meaning in their fields … Instead, they operate with a certain amount of social skill to reproduce or contest systems of power and privilege”. When organisational actors interact with certain events or subjects, they bracket-out or single-out items and/or events in order to connect and make sense of them in an on-going manner.
(Weick, 1995). Actors bracket different cues based on desired preferences and ends, and accordingly the interpretation of similar things/events differs across different groups of actors (Jensen et al., 2009). Subsequently, once the equivoque messages are bracketed out, they are related to the repertoire of frames that actors hold, which results in meaning creation. In this way, actors create their own reality through a process of ‘enactment’ (Weick, 1995): “The concept of enacted environments suggests that constraints are partly of one’s own making and not simply objects to which one reacts” (Weick, Sutcliffe, & Obstfeld, 2005, p. 419) [italics added].

**Research setting**

The empirical context for this study is SMEs in the Indian garment exporting industry, particularly knitwear exporting SMEs located in Tirupur in the state of Tamil Nadu. Tirupur, also called the “knitwear capital of India”, is one of South Asia’s largest knitwear garments manufacturing and exporting clusters (de Neve, 2008). According to the Indian Ministry of Textiles (2012), the Tirupur cluster accounts for more than 50% of total knitwear garment exports from India.

The sample is chosen from the small and medium sized units where the knitwear garments are manufactured. These manufacturers are generally involved only in cutting, stitching and finishing activities. SMEs in Tirupur are subcontractors to large organisations or buying agents and employ between 25-75 workers. Even though these SMEs have departments and departmental supervisors, a department comprises no more than 5 to 10 workers. Departmental supervisors also work in production and do not have authority over their departmental operations. As has been found previously in SME research, job roles are nominal, and characterised by a high degree of flexibility (Spence, 2007). The owner-manager plays various roles in these firms, ranging from managing the production activities to managing the workers. The owner-manager is the dominant actor, controlling all business practices and taking all the decisions in his/her firm, as one worker acknowledged:

> Whatever the issue may be, we will go directly to the owner … [The] owner is the main person. We have supervisors. However, no one follows the procedure of chain of commands. We have to go to the owners for anything and everything. (Worker: D1)
For this particular study, we understand working conditions in the Tirupur garment sector as incorporating: working hours; wages; equality of opportunity and treatment; occupational safety and health; freedom of association, collective bargaining and industrial relations; and social security. While not an exhaustive list, these elements have been identified from the extant literature, informed by the pilot study and are identified by global and Indian labour regulations.

Data collection and analysis

The qualitative data was collected in two stages, primarily in the form of in-depth semi-structured interviews. During stage one, a pilot study was conducted in Tirupur SMEs by using in-depth semi-structured interviews with two owner-managers, one buying agent and three workers. Based on the pilot study, the interview schedule and research design were amended, followed by the main data collection phase. Thirty-six in-depth semi-structured interviews were conducted with various relevant actors in the field: eight owner-managers, twenty-three workers, one buying agent, two trade unions leaders, one NGO leader and one CSR officer of a UK high street clothing brand supplied by this region (see Table 1). In addition, to facilitate triangulation, supplementary data was also collected in the form of documents, informal conversations, and ad hoc non-participant observation during frequent factory visits.

The interviews were digitally recorded and supplemented with interview notes. The interviews were conducted in the region’s primary language, Tamil, in order to allow participants to communicate their subjective meanings with ease with the interviewer who is a native speaker. The interviews in Tamil were transliterated into English, however not translated into English. This was because of time constraints and to alleviate the potential for data distortion through translation. Therefore, the interview data was analysed in Tamil and only the direct quotations used in the empirical chapters were translated into English. However, these quotations or narratives were not translated word-for-word; instead they were translated in a way that maintained the subjective meanings (see Zimmerman (2000) for a similar argument).
Table 1: The interview respondents

The transcribed data was then analysed using Braun and Clarke’s (2006) step by step (but flexible) recipe for thematic analysis. The data analysis resulted in a large amount of data extracts for each theme and sub-theme. However, only vivid extracts that demonstrate the prevalence of the theme were selected for the empirical discussions. More consideration was given to the embeddedness of the data extracts within the story rather than providing a description and filling the empirical discussions with unnecessary data extracts. To this end, a conscious attempt was made to embed them in such a way so as to illustrate the narrative of the research.
Findings

Owner-managers’ interpretations of institutional influences

It was identified that owner-managers interpret institutional influences in different ways at different points in time as a result of their sensemaking of equivocal institutional cues. Different owner-managers bracket or single out different cues, and the same set of institutional influences does not necessarily lend itself to similar interpretations by a group of owner-managers in the same context (summarised in Table 2).

<table>
<thead>
<tr>
<th>Interpretations</th>
<th>Descriptions</th>
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<tbody>
<tr>
<td>Impunity</td>
<td>Owner-managers believe that there are no repercussions for their actions.</td>
</tr>
<tr>
<td>Support</td>
<td>Owner-managers believe that they are not exclusive in their intentions and/or actions. They believe that their actions are not detached from social expectations as far as they are not different from their peers.</td>
</tr>
<tr>
<td>Authority</td>
<td>Owner-managers believe that they are the dominant actors in the context and, view the demands and expectations of various relevant actors in the context as inappropriate and irrelevent.</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Owner-managers believe that it is their responsibility to take care of their workers and to fulfill their needs, and tend to view their workers as the most significant aspect of their business.</td>
</tr>
<tr>
<td>Pressure</td>
<td>Owner-managers believe that they are being pressured by various actors to act in certain ways, at times, even when they do not have the intention to involve in such actions.</td>
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Table 2: Owner-managers’ interpretations

For example, at one end, owner-managers, at times, interpret the presence of institutional cues as a signal of ‘impunity’. They appear to be indifferent towards institutional influences regarding working conditions. In fact, some owner-managers explicitly, with no hesitation, narrate their unethical practices associated with the maintenance of working conditions in their firms. For example, one owner-manager said:

…we produce false documents. Even the government knows it is happening. But, it is easy to get away with it … I do not mind even if you [pointing to the author] inform anyone about this, because, I know it takes a lot of time for them [authorities] to get back at me. (Owner-manager: OB)
At the other end of the spectrum, at times, owner-managers interpret the presence of certain institutional cues as a signal of ‘pressure’. They tend to be submissive towards the institutional influences regarding working conditions. They express the view that they are not in control of their own actions because of the obligation to adhere to social and/or trade contracts. For example, one owner-manager said:

We are doing business with these buyers for a very long time. We have a good relationship. Now if they ask for these certifications, you cannot just say no and break the relationship. We will try to obtain these certifications so as not to lose our buyers. (Owner-manager: OE)

Similarly, owner-managers, at times, interpret the presence of certain institutional cues as a signal of ‘authority’. They demonstrate an authoritarian approach towards their workers and their welfare. They express the view that their workers completely depend on them, and that they have complete authority over their workers. For example, one owner-manager said:

…if you go there [to the unions] for a 1000 rupees problem … the union will take the workers’ money and do nothing for the worker. The worker have no other go. They run back to the company and plead us. (Owner-manager: OK)

Other owner-managers, at times, interpret the presence of certain institutional cues as a signal of ‘responsibility’. They adopt the personality of a father-like, paternalistic figure towards their workers. To this end, they express the view that their workers and their welfare are their responsibility. For example, one owner-manager said:

…we are closely attached to each other. And they [workers] are always under my eye view. I take care of them. (Owner-manager: OG)

As mentioned, an individual owner-manager could interpret the same institutional cues in different ways at different point in time, therefore linking an owner-manager to a particular type of interpretation is rather illogical and practically impossible. Further, Table 3 is however not a definitive list of owner-managers’ interpretations, but rather demonstrates that owner-managers have their own capacity as an agent - personality or other entity such as roles - to act in the social world, whereby their actions and behaviours are influenced by the
characteristics of the institutional settings within which they occur. This is essentially the reason why the term ‘institutional influence’ is used throughout this paper, instead of the commonly used term ‘institutional pressure’, as ‘pressure’ is just one of their various interpretations.

Owner-managers’ responses towards institutional influences

Having illustrated that owner-managers interpret institutional influences in various ways and that ‘pressure’ is just one of their interpretations, it is also identified that owner-managers do not unproblematically conform to institutional influences regarding working conditions. That is, owner-managers do not mechanically respond to institutional stimuli; at first, they interpret the institutional environment and then formulate their response.

Six kinds of responses have been identified in the data and are summarised in Figure 1 - influence, eliminate, conceal, defend, negotiate and conform. These responses can be placed along a continuum where the most active form of resistance (i.e. influence) and the most passive form of conformance (i.e. conform) form the two ends (see Figure 1)\(^1\). Further, various approaches with which owner-managers execute these responses are also identified. Again, an owner-manager could respond in different ways at different points in time, and we do not intend to classify and brand owner-managers based on responses.

\(^1\) This continuum takes some indirect inspiration from Oliver’s (1991) work on strategic responses to institutional processes.
Influence

As a response to institutional influences, owner-managers, at times, attempt to influence the pressure-exerting institutional constituents\(^2\). To put it briefly, they attempt to influence the influence. In this study, this is the extreme act of owner-managers’ non-conformity towards institutional influences related to working conditions. As such, owner-managers attempt to stimulate and shape the institutional constituents according to their own desires. By responding in this way, they endeavour to avoid any pressures being exerted on them by the institutional constituents. Owner-managers employ two approaches to influence the institutional constituents: a) monetary influence and b) non-monetary influence.

a) Monetary influence: Owner-managers attempt to manipulate and control the pressure-exerting institutional constituents by offering them monetary incentives. For example, it was identified that some owner-managers bribe the government authorities who are responsible for overseeing labour regulations to avoid any further pressure being exerted on them. As one of the owner-managers said:

> The factory inspectors ask for this and that ... They come and say this is wrong, the factory is not good, and toilet is not clean and so on. They do not bother once you give them money and whatever they need…(Owner-manager: OK)

b) Non-monetary influence: Owner-managers attempt to manipulate and control the pressure-exerting institutional constituents by employing non-monetary measures. For example, it was identified that some owner-managers influence their workers by verbally persuading them. They converse with their workers in a persuasive manner to shape them according to their own (that is, owner-managers’) desires. As one of the workers said:

> Sometimes, I feel that there is no point in talking to him [the owner-manager] (laughing). Whenever we approach him to reduce the workload, he talks to us in such a way that when we leave his room, we end up in accepting the existing workload (laughing)… (Worker: W7)

\(^2\) Institutional constituents are those who exert institutional influences.
As a response to institutional influences, owner-managers, at times, attempt to eliminate the pressure-exerting institutional constituents. In so doing they do not have a need to conform to the requirements of the institutional constituents regarding working conditions. Although this is a form of non-conformity towards institutional influences; it is not as extreme as attempting to influence the institutional constituents as an act of non-conformity. Owner-managers employ two approaches to eliminate the institutional constituents: a) dismissal and b) prevention.

a) Dismissal: Owner-managers attempt to dismiss or terminate the pressure-exerting institutional constituents. For example, it was identified that some owner-managers sack workers who are trade union members. They share a notion that trade union members are inexorable and problematic. And so, they do not want them to work in their firm. As the CSR officer stated:

    Trade union members are not encouraged in the factories. To be frank, the workers know that … if they are members of a trade union, definitely the owners will hesitate to take them for a job. (CSR officer: CSR)

b) Prevention: Owner-managers attempt to prevent or avoid the pressure-exerting institutional constituents. This differs from the dismissal approach insofar as dismissal is elimination of institutional constituents that are already associated with the firm, whereas prevention is exclusion of institutional constituents even before they establish their association with the firm. For example, it was identified that some owner-managers attempt to associate themselves with people associated with their own religion to create a group sympathetic to their decisions and actions regarding working conditions so as to prevent any pressures from them. As one of the owner-managers said:

    When it comes to my close circle of workers, I employ only Hindus. I do not employ Christians or Muslims because their way of working is different from ours. Moreover, I want to keep my workers under my control. (Owner-manager: OJ)
Conceal

As a response to the institutional influences, at times, owner-managers attempt to conceal their non-conformity as a response to the institutional influences regarding working conditions. They do this in order to cover the fact that they do not intend to implement them. As with ‘influence’ and ‘eliminate’ responses, concealing also falls under the label of nonconformance, but is not as extreme as either ‘influence’ or ‘eliminate’ responses. While responding in this way, owner-managers attempt to deceive the institutional constituents into thinking they are playing by the rules of the game. That is, they create a fictional setting of conformance towards institutional influences in order to escape influence from the institutional constituents. Owner-managers employ two approaches to conceal from the pressure-exerting institutional constituents: a) window-dressing and b) decoupling.

a) Window-dressing: Owner-managers attempt to conceal from the pressure-exerting institutional constituents by employing adroit but superficial or misleading presentations of conformity, designed to create a favourable impression and to avoid any further pressures being exerted on them. For example, it was identified that some owner-managers attempt to groom their factories, and train and prepare their workers for inspections. As one of the workers said:

   We are instructed on what to talk and what not to talk to the inspectors … We can no longer work in a company if we fail to cooperate. (Worker: W16)

b) Decoupling: Owner-managers attempt to conceal from the pressure-exerting institutional constituents by creating and sustaining a gap between expected formal policies and actual organisational practices. For example, it was identified that some owner-managers have multiple units registered under different ownership. In this way, some of the units are legally decoupled from the owner-managers’ legal obligation, allowing them to showcase just one unit with proper working conditions. As one of the buying agents stated:

   There will be multiple factories with different names. Out of which, the owner will be having certifications only for one small factory with 50 seats or so. He will expose
only that factory to the outside world. This is how it is done here…(Buying agent: BA2)

**Defend**

At times, owner-managers attempt to defend themselves in various ways as a response to institutional influences regarding working conditions. These owner-managers defend their planned or accomplished actions in order to convince institutional constituents that their actions are right. As with the ‘influence’, ‘eliminate’ and ‘conceal’ responses, defending also falls under the label of nonconformance. However, it is not as resistive as attempting to influence or eliminate or conceal as an act of non-conformity towards institutional influences. These owner-managers employ two approaches to defend their decisions and/or actions to the pressure-exerting institutional constituents: a) denial and b) blame.

a) Denial: Owner-managers attempt to deny their association with their decisions or actions in order to defend themselves from the institutional constituents. For example, it was identified that some owner-managers tend to defend the below par health and safety conditions in their firms by denying the harmful nature of their actions. According to them, their own actions are correct and moral as long as they cause no harm to others. As one of the owner-managers said:

> We don’t have first-aid facilities. We have a fire extinguisher. But, like large units, we do not provide training for handling the fire extinguisher … We are not prone to big accidents. No accident has happened yet … Workers have not asked for anything until now. (Owner-manager: OF)

b) Blame: Owner-managers attempt to blame the institutional constituents for their decisions and/or actions. By blaming the institutional constituents, the owner-managers attempt to detach and shield themselves from being associated with their own actions. For example, it was identified that some owner-managers blame their workers to defend the unconventional working hours in their firms. According to them, their workers’ unwillingness to work for less time is what that results in their failure to maintain standard working hours of 8 hours/day. As one owner-manager asserted:
If you ask them [workers] to work only for 8 hours, they won’t be ready to work…
even when we ask them to stop, they won’t. It is their wish. We cannot say anything.
(Owner-manager: OC)

**Negotiate**

Owner-managers, at times, attempt to negotiate with the institutional constituents as a
response to their influences regarding working conditions. They do so in order to reach an
understanding, resolve points of difference, or gain a beneficial outcome. Negotiation as a
response can be labelled under ‘passive conformance’ because, while involving in
negotiation, these owner-managers aim to reach an agreement with the institutional
constituents and do not show any forms of resistance against them. It is also necessary to
highlight that negotiation is different from non-monetary influence because, unlike non-
monetary influence where owner-managers shape and control institutional constituents
according their needs, in negotiation owner-managers aim to reach an agreement with the
involved parties (that is, institutional constituents). Owner-managers in the research context
employ two approaches to negotiate with the institutional constituents: a) collaborate, and b)
compromise.

a) Collaborate: Owner-managers attempt to collaborate with institutional constituents in order
to understand and include the concerns and interests of other parties so as to realise a deep
and collective determination to reach an identical objective. For example, it was identified
that some owner-managers collaborate with their buyers and/or buying agents for technical,
managerial, and (at times) financial assistance in order to obtain social standard certifications.
According to one owner-manager:

Some buyers indeed help us in BSCI certification process. They also guide us through
their agencies on how to fulfil the requirements for the BSCI certification. Sometimes,
they pay for the inspections. However, I can’t say that every buyer is like this.
(Owner-manager: OB)

b) Compromise: Owner-managers attempt to compromise with institutional constituents
through a mutual agreement of terms, often distinct from their actual goal or desire. This
approach is more one of passive conformance than collaboration. Owner-managers tend to
employ this approach when they are eager to close a deal by doing what is fair and equal for all parties involved in the negotiation and when there is limited time to complete the deal. For example, it was identified that some owner-managers attempt to compromise with their workers on issues that are more serious, complex, and take time to resolve, and when workers have high levels of political support from trade unions and NGOs. As one owner-manager said:

There were like 20 people sitting in front of me … If I had not considered it as a major issue, it would have become more complex. It would have drained all the energy out of me. It was easy for me to pay the outstanding amount and relieve out of the problem than to keep on dragging it and making it more complex. They would have even locked down the factory… (Owner-manager: OB)

Conform

Owner-managers, at times, passively conform to institutional requirements, although this is only one of their various responses towards institutional influences. This is an extreme act of conformity when compared to the other responses. And this is more passive than negotiation. Here, owner-managers do not attempt to employ any resistive approaches associated with the ‘influence’, ‘eliminate’, ‘conceal’ and ‘defend’ responses. They also do not attempt to negotiate. They just passively conform to institutional prescriptions. By completely conforming to the institutional influences, these owner-managers may not experience any forms of current or future pressure from the institutional constituents. The owner-managers in the research context conform to the institutional requirements in three ways: a) habit, b) mimic, and c) obey.

a) Habit: This refers to the unconscious, unintentional, uncontrollable and routinized behaviour of owner-managers, which precludes them from engaging in self-analysis while undertaking routine tasks. For example, it was identified that some owner-managers pay their workers at the end of every week, particularly on Saturdays. However, such payment system is not defined and controlled by statutory legislations. These owner-managers are not aware of the technicality behind such a practice and habitually or unmindfully follow it without any alterations, just because of its historical reproduction. As one of the owner-managers (OK) said:
b) Mimic: This refers to how owner-managers tend to consciously adhere to the practices of their peers in their context. It differs from habit insofar as these owner-managers, in various ways, consciously attempt to imitate other similar actors in their context and not act unconsciously as a habit. For example, it was identified that some owner-managers adopt or imitate other similar firms in terms of patterns of working hours only as an attempt to evade a condition where they are considered incongruous in the context. As one of the owner-managers said:

   It is a commonly followed pattern in majority of the factories in Tirupur. This pattern allows them to relax as they work continuously in a static position. It also allows them to take care of their personal or household works. Workers in Tirupur are used to this kind of working hour pattern and they like it this way. Now, you cannot change the system even if you want to. (Owner-manager: OK)

c) Obey: This refers to owner-managers expressing a conscious tendency to yield readily to institutional influences, especially in a weak and subservient way. They attempt to act in accordance to the wishes, requests, demands, requirements and conditions stated by the institutional constituents in order to gain social acceptance. For example, it was identified that some owner-managers who cover social security for some of their workers say they cover them only as an act of adherence to pressure from the government, so as not to be subjected to any form of penalty. As one of the owner-managers said:

   I do not have a good opinion about the benefits of social security in India … I pay them only because of the pressure from the government. (Owner-manager: OD)

Discussion

The empirical findings suggest that different owner-managers interpret and respond to the institutional influences regarding working conditions in a complex array of different ways. Their interpretations and responses are partly affected by the institutional environment in
which they are located. That is, even though owner-managers are the sole decision-makers in their firms, these firms are located in a wider institutional environment. The institutional influences comprise the capacity to construct meanings by directing owner-managers’ attention to certain cues, making those cues more salient, and providing expectations concerning behaviour and the logical consequences of such behaviour. In this regard, underlying owner-managers’ agency is their capacity to interpret and respond to these institutional influences. Owner-managers’ cognition, therefore, should be viewed, as Salancik and Pfeffer (1978) assert, as a product of the complex interplay between contextual/situational cues and individuals’ prior repertoire of mental frameworks. After all, human beings are striving, coping, planning, interpreting creatures, shaping life from the inside, but are also operating within the possibilities and constraints of social arrangements that shape life from outside (Jahoda, 1982).

In terms of the structure versus agency debate, this study supports the position that an analysis of structures without reference to actors is as limited as an analysis of actor’s behaviour without reference to structures (Scharpf, 1997, 2000). Individual owner-managers actively take part in constructing their actions using prevailing rules and social resources as a repertoire of opportunities, and at times altering them. And by combining institutional theory and organisational sensemaking we believe that we have provided new insights into the paradox of exploring structure-agency relationship. By relying on this combined framework, our study complements the assertions of scholars of institutional theory such as Ang and Cummings (1997), Oliver (1991), Powell (2007), and Thornton & Ocasio (2008) by stressing that research must move beyond a view of organisations in a particular field as subjected to common pressures imposed in a reasonably homogenous manner, and should acknowledge the complexity and variety of organisational responses and the extent to which these responses are influenced by the internal actors who possess the power or agency to steer these responses.

Redefining the ‘Western CSR = Southern development’ equation

Our empirical discussion exposed various pertinent problems associated with the existing CSR perspective on the development agenda. One, it illustrates the limitations of considering the standard management-orientated discourse as a benchmark for effective CSR initiatives. Corporations assert that codes of conduct and voluntary multi-stakeholder standards result in
improved working conditions along supply chains (O'Rourke, 2006). Our findings however imply that these initiatives, based on standard management-orientated discourse, put small and medium suppliers in developing economies at a disadvantage. Small and medium suppliers in developing nations often do not possess the necessary capability to adapt to these standards. They lack the infrastructure, technology, finance, skills and resources to implement expensive CSR initiatives. For the small and medium suppliers, these initiatives are disproportionately expensive, requiring a major resource commitment relative to larger organizations (Baumann-Pauly, Wickert, Spence, & Scherer, forthcoming), creating conditions in which they either withdraw (or de-listed as a supplier), or find ways around complying with the requirements.

Generally, small and medium suppliers in developing nations are presumed to be powerless and passive in a global supply chain. CSR initiatives are imposed on them with a presumption that they do not retaliate against multinationals because of their resource dependent nature. Indeed SMEs are resource dependent and may hesitate to retaliate against multinationals’ requirements, but as illustrated by the empirical findings, abandoning the trade relationship is not the only way they retaliate. Our research shows that the small and medium suppliers in Tirupur discreetly evade the use of these standards by bribing, manipulating, double bookkeeping, having multiple units, grooming the factories and training workers for inspections etc., what we call ‘creative-evasion’ practices.

Our findings further illustrate that the general mechanized record-based auditing techniques that Bendell (2005) refers to as ‘positivist’ and ‘tick-box techniques’ also significantly encourage these suppliers to engage in such ‘creative-evasion’ practices. In a way, these initiatives per se are becoming a cause for these small and medium suppliers’ conscious and at times unintentional involvement in such ‘creative-evasion’ practices as demonstrated by the research findings. Therefore, we argue that the effectiveness of CSR initiatives will be limited, if we continue to use the standard management-orientated discourse as a benchmark for imposing CSR in these supplier facilities in developing nations.

Our work contributes to the expansion of understanding externally imposed CSR standards as a part of the development agenda by attending to the issue of the power and participation of the actors involving in designing CSR initiatives (Prieto-Carron et al., 2006). Needless to say, the state is weak in developing nations such as India resulting in the manifestation of
privatization of governance. It is about offering the political power to the actors who have the capacity to exercise and organize resources from numerous state and non-state actors without depending on formal constitutional structures (Lund-Thomsen, 2008). This trend has led to the resourceful multi-stakeholders involvement in designing and implementing development initiatives, and in the acceptance of multinationals’ dominant role to self-govern their social and environmental performance (Barrientos & Smith, 2007). Less resourceful suppliers’ ‘creative-evasion’ practices, however, indirectly imply that certain global brands – as against the intention behind the privatization of governance – deploy their dominance over suppliers so as to squeeze them for cheaper prices and to employ enormous downward pressure on working conditions instead of engaging in cooperative development.

Based on our research, we argue that existing CSR initiatives related to labour welfare in developing nations often reflect the ideology of post-colonial imperialism. These initiatives often echo the concerns and priorities of consumers and watchdogs in the developed nations notwithstanding its relevance to the issues peculiar to the context where supplier firms are located. These initiatives often appear to reflect the prevailing best or acceptable practices and technologies of its place of origin and disregard appropriate and conventional ways of production elsewhere. As Boje and Khan note (pp. 20-21) “the post 1492 encounter of Europe with the Third World, over half a millennium into its running, has established certain scripts and certain ways of relating to the Third World that are taken for granted in the dominant Western culture as normal … One such script is that it is normal for Third World matters to be decided in Western centres.” Our work demonstrates the over-simplicity of this perspective, and the way in which developing country actors can and do act out their own agency in CSR and labour standards.

As Prieto-Carron et al. (2006, p. 984) state, CSR is becoming a pitch for political conflicts “both in the “macro” sense of defining relations between the market and the state, and between different actors and social groups, and in relation to participation in decision-making”. While indicating that suppliers retain some agency, this study does not suggest that their voices are heard in multi-stakeholder initiatives, which determine global standards. None of the participants of this study are aware of multi-stakeholder meetings. They perceive social auditors as agents of multinationals. These international suppliers per se are marginalised. By reflecting on the research findings presented here and the growing number of critical voices in the CSR literature (Aguinis & Glavas, 2012; Dobers & Halme, 2009; Idemudia, 2008; Prieto-
ultimately we argue that a critical research programme is needed which accentuates the magnification of southern voices in the development debate. Drawing on this argument, the equation for the development agenda is therefore not ‘Western CSR = Southern development’, but rather:

‘Western CSR x Southern inclusion = Southern development’

Limitations and future research

Even though we theoretically and empirically emphasised the reciprocal interaction between institutional environment and owner-managers’ sensemaking, we did not attempt to empirically present the entire process. Instead, we focused only on the micro-level processes associated with the outcomes of the sensemaking process, i.e. interpretations and responses. Further investigation of how institutional cues travel from the organisational field level to the organisational level, and then to the individual owner-manager level, and vice versa, would deepen our understanding of how reciprocal interaction between these multiple levels generates social phenomena.

The list of owner-managers’ interpretations of institutional influences and the continuum of their responses and associated approaches towards those influences is not as definite as suggested in this paper. While the empirical findings are based on the respondents’ interpretations and subjective meanings, we as researchers were also a part of what was being observed, and our own subjective frames of references will have influenced the data interpretation. There is always scope for future research to expand and/or challenge the interpretations, responses and approaches presented in this study. Future research could also expand the conceptualization presented in this study by examining what type of interpretation/s would lead to what type of response/s, so as to dig deep in to the micro processes associated with owner-managers’ sensemaking of the institutional influences regarding working conditions.

Besides these limitations, our study also has limited generalizability. Access to organisations, individuals within those organisations and the sensitive information held by those individuals added to the time and budgetary limitations of this study. The amalgamation of these issues further led to a number of pertinent issues related to the research design, the most important
of which is concerned with the extent to which the findings can be generalized and applied to other sectoral and geographical contexts. Our study concentrates on a particular sector in a particular region of one country. Hence, the representativeness of the data collected from such a small concentrated group of participants can be challenged. Future research could expand and/or challenge the research findings by conducting the same research in a different sector and/or geographical context.

Similarly, the generalization of the findings across various elements of working conditions can also be challenged. Dutton, Ashford, Lawrence, and Miner-Rubino (2002) argue that the contextual cues differ for different issues. The institutional environment therefore might differ for different elements of working conditions. Accordingly, the level of owner-managers’ agency could vary based on variations in the issue-specific institutional environment. Therefore, future research could also drill deeper to examine this issue-institutional environment-agency link associated with the management of working conditions.

Conclusions

By utilising a theoretical framework which combines constructs from neo-institutionalism and organisational sensemaking, this paper advances the viewpoint that small and medium sized suppliers in developing countries are not passive and unproblematic recipients of imposed standards; rather they have scope for agency in interpreting and responding to the institutional environment. That is, they interpret and respond in various ways and they do not always conform to the conventional patterns proposed by the institutional elements.

There are also indications in this study that support the claim that CSR initiatives dictated by western multinationals are not readily transposable to small and medium suppliers in developing nations. Hence more resourceful and larger firms need to be differentiated from smaller and less resourceful firms with respect to the applicability of various provisions of these initiatives. A counter argument can be that it is hard to design separate frameworks for different types of organisations. But the majority of the suppliers of global brands are in fact small and medium firms. And so small and medium firms require inclusion and careful consideration in the development of CSR initiatives, which directly and indirectly affect them.
This study also broadly complements the propositions of international development theory that there are exclusive features to issues in the indigenous industry in the developing world that demand different solutions from those that might be implemented in developed economies. In this regard, we need to go beyond just positing the effectiveness of CSR on the surface level and consider the situational factors while crafting the appropriate CSR initiatives for the firms in highly institutionalized developing economies such as India. Echoing the critical voices of CSR, therefore, this study suggests that policy-makers should challenge the simple causative link between Western imposed CSR and southern development and take into consideration the complexities of indigenous industry in developing country contexts before devoting their skills and resources in areas that fail to promote the objectives of international development. CSR initiatives therefore should not be developed and imposed via an ‘outside-in’ approach with a presumption that all firms have the capacity to implement them; instead they should be derived via an ‘inside-out’ approach, considering the intricate complexities of indigenous industry and its place of origin.

References


