Corporate social responsibility on the catwalk

Peter Jones & Daphne Comfort
Business School, University of Gloucestershire, UK

David Hillier
The Centre for Police Science, University of Glamorgan, UK

Key Words
Fashion goods retailers, corporate social responsibility

Abstract
This paper offers an exploratory review of the Corporate Social Responsibility (CSR) issues currently being publicly addressed by the world’s leading fashion goods retailers. The paper begins with a short discussion of the origins and characteristics of CSR and a thumbnail sketch of the fashion goods industry. The empirical information for the paper is drawn from the CSR information posted on the Internet by the world’s top ten fashion goods retailers. The findings reveal that while all the top ten fashion goods retailers publicly provide information on the impacts their businesses have in the marketplace, on the environment, on their workforce and on the communities in which they operate there was considerable variation in the extent of that information. More generally the paper offers some reflections on the CSR agendas being pursued by the world’s leading fashion goods retailers.

Introduction
While retailers of Fast Moving Consumer Goods are the dominant sector of the global retail economy, fashion goods retailers are more global in their reach and they have enjoy industry leading net profit margins (Deloitte 2012). At the same time as public interest in corporate citizenship has grown so many of fashion good retailers have seen their supply chains subjected to critical political and media scrutiny and in some ways they have increasingly become the public face of retailing. Forum for the Future (2011), for example, has argued that while ‘the fashion industry brings many benefits to everyday lives across the globe’ and that it ‘goes beyond simple clothing to express identity, create well being, embrace creativity and connect global communities’ it also has ‘a negative side, characterised at its worst by factories exploiting workers, generating throwaway fashion, wasting resources and encouraging unsustainable consumption.’ In a similar vein de Brito et. al (2008) suggests the fashion retail supply chain ‘is particularly sensitive to sustainability’ in that ‘the production process makes intensive use of chemical products and natural resources, generating a high environmental impact.’ With that in mind this case study offers an exploratory review of the Corporate Social Responsibility (CSR) issues currently being publicly addressed by the world’s leading fashion goods retailers and it includes a brief introduction to CSR, a brief thumbnail sketch of the fashion goods industry, details of the method of enquiry, a description of the CSR issues currently being publicly addressed by the top ten retailers and offers some critical reflections on the CSR agendas being pursued by these retailers.
Corporate Social Responsibility

In simple terms CSR is concerned with the relationship between corporations and the societies with which they interact. While Piercy and Lane (2009) suggest that ‘precise definition of corporate social responsibility is problematic’ a range of definitions have been offered. Werner and Chandler (2011), for example, define CSR as ‘a view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm’s stakeholders to hold the firm accountable for its actions.’ Godfrey and Hatch (2007) suggest that CSR is rooted in the idea that ‘corporations have obligations to society that extend beyond mere profit-making activities’ while for Brown and Dacin (1997) ‘Corporate social responsibility associations reflect the organisation’s status and activities with respect to its perceived societal obligations.’ Although CSR has undoubtedly gained increasing momentum across the business community during the past decade it is important to recognize that the underlying concept has a long history. Hopkins and Crowe (2003), for example, suggest that there has always been a tension between business and social goals and they cite the power of the craft guilds in the Middle Ages, the slave trade and the struggles to improve living and working conditions in Britain’s rapidly growing towns and cities during the nineteenth century, as graphic examples of these tensions. Sadler (2004) has argued that ‘the definition of the functions of the corporation with relation to wider social and moral obligations began to take place in the centres of capitalist development in the 19th century.’

A variety of factors are cited as being important in building the current momentum behind CSR. Porter and Kramer (2006), for example, argue that there are ‘four prevailing justifications for CSR’ namely ‘moral obligation, sustainability, license to operate and reputation.’ The moral argument is that companies have a duty to be good citizens while the notion of license to operate recognizes the fact that companies require explicit or at least tacit approval from various stakeholders in order to operate. A focus on reputation is rooted in the conviction that CSR commitments and achievements will help to improve a company’s image and strengthen its brand(s) while sustainability looks to emphasise environmental and community stewardship. Marketing is also providing a strong impetus for the increasing interest in CSR. Girod and Michael (2003), for example, have argued that CSR is ‘a key tool to create, develop and sustain differential brand names’, Middlemiss (2003) has suggested that ‘CSR is taking centre stage to provide more sustainable, long term brand value’ and Piercy and Lane (2009) has argued that ‘CSR is increasingly recognised as a source of competitive advantage.’

The three dominant theories that have been used to analyse and explain CSR have been succinctly summarised by Moir (2001). Stakeholder theory suggests that it makes sound business sense for companies to understand the needs and aspirations of all their stakeholders be they investors, governments, employees, communities, customers or suppliers and that these needs and aspirations should be reflected in corporate strategy. Social Contracts theory asserts that companies may pursue CSR not because it is in their commercial interests but because it is how society expects
companies to operate. Legitimacy theory stresses that society grants power to businesses and it expects them to use such power in a responsible manner.

The business case for CSR is seen to focus on a wide range of potential benefits. These include improved financial performance and profitability; reduced operating costs; long-term sustainability for companies and their employees; increased staff commitment and involvement; enhanced capacity to innovate; good relations with governments and communities; better risk and crisis management; enhanced reputation and brand value; and the development of closer links with customers and greater awareness of their needs and expectations. At the same time there are those who would champion the case against companies integrating CSR into their core business. Such arguments might follow Friedmann (1982) in affirming that ‘there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud.’ Henderson (2001) has argued that growing business commitment to CSR is ‘deeply flawed’ in that ‘it rests on a mistaken view of issues and events and its general adoption by business would reduce welfare and undermine the market economy.’ More generally Kitchin (2003) argues that CSR is ‘too narrow to engage management attention, too broad and unquantifiable to be taken seriously by the financial community and just woolly enough to be exploited by charlatans and opportunists.’

The Fashion Industry

The fashion industry is one of the most important sectors of the world economy. The global apparel and luxury goods market generated an estimated $1, 334 billion in 2008 (Datamonitor 2009) but in many ways fashion goes beyond offering clothing and footwear to protect the wearer from the elements, it is also, and perhaps more importantly, a means of social expression and a way individuals form and communicate their identity. While clothes retailing often seems to be the public face of fashion the industry is much broader and includes clothing, footwear and accessories and embraces the natural materials and synthetic fibres from which they are produced as well as and manufacturing, distribution and marketing.

The fashion industry is fiercely competitive and fast moving and is driven by innovative designs, the high power/aggressive promotion of designer brands and media coverage of fashion models and celebrity lifestyles and consumers demands for access to seemingly constantly changing new styles. Fashion goods thus often have a short ‘shelf life’ and much of the industry is characterised by the need for designers, manufacturers and retailers to met tight production and distribution schedules. The fashion industry is both complex and diverse but it can perhaps be conveniently broken down into five segments namely haute couture; the luxury market; affordable luxury market; the mass market; and discount brands. Haute couture is the most expensive and exclusive end of the market and while the luxury segment is perhaps most easily defined as being a step down in both quality and prices it targets wealthy customers. The affordable luxury market looks to target aspirational customers who wish to
purchase products that copy fashionable styles but are offered at more competitive prices, while mass market customers are prepared to sacrifice exclusivity for price while the discount sector caters for price sensitive customers. Although the overwhelmingly majority of fashion goods are still purchased in traditional shops and stores the volume of retail sales via electronic commerce and mobile retailing is growing rapidly and marketing and social networking is playing an increasing role in marketing and promotion.

While haute couture segment is still focussed on the traditional fashion such as Paris, Milan, New York and London, the geography of the fashion industry has changed dramatically within recent decades in that there has been a massive decline in production in Europe and North America with the major centres of production now being in Asia, particularly in China, Hong Kong, Malaysia, Thailand, Pakistan and India. At the same time the most rapidly growing markets for clothes have been in Europe and North America though market size is increasingly in a number of Asian and South East Asian countries most notably China. In many ways this shift has been buyer driven in that specialist retailers such as Gap and Limited Brands more general retailers such as J.C Penney and Walmart whose cost reduction strategies have led them to maintain their design and marketing functions in house but to outsource production to low wage economies in the developing world.

The fashion goods industry faces a number of challenges including concerns about working conditions and social and economic problems within the supply chain, concerns about a range of environmental issues associated with the production process and growing worries about so called fashionable body forms which have been blamed for a range of weight and eating disorders. A wide of environmental issues can be identified including energy consumption in the manufacturing, transportation and retailing of clothing; the use of pesticides, particularly in cotton production; water consumption in the growing of cotton and in the bleaching and washing of fabrics; the release of chemicals into water systems following the dyeing and finishing of fabrics and clothes; animal rights; and the disposal of waste during the manufacturing process and the disposal of the clothes themselves at the end of their perceived lifespan. Fleiss et al. (2007), for example, suggest that ‘some of the raw materials for the textile industry, like cotton, flax or hemp, are amongst the most environmentally damaging crops, often receiving multiple treatments of fertilizer and pesticide’ and that ‘textile industries also use large amounts of chemicals in the dyeing, printing and washing processes.’

There are also concerns about a wide range of social and economic problems in developing countries where production is concentrated, including low wages; excessive working hours and poor working conditions; discrimination; human rights; health and safety issues; bonded labour; and child labour. At the same time there are growing worries in many developed societies about what Crewe (2009) describes as ‘unachievable body ideals perpetuated by marketers, advertisers and celebrities’ where ‘hyper-thin has become the new industry standard in fashion.’ Ultimately it is the retailers who ‘usually hold the
power and are the interface between production and the public’ (Forum for the Future 2007) who very much the public face of the fashion goods industry.

Method of Enquiry

In order to obtain an exploratory picture of the extent to which the world’s fashion goods retailers were reporting on CSR within the public realm, the top ten fashion goods retailers (Table 1), ranked by the value of sales, from the report ‘Global Powers of Retailing 2012’ (Deloitte 2012) were selected for study. During recent years ‘the importance of online communications as part of an integrated CSR communications strategy has grown significantly’ (CSR Europe 2009) and with that in mind the authors undertook an internet search for material on CSR on each of the selected fashion goods retailers' corporate websites. The precise patterns of navigation varied from one retailer to another and the search revealed considerable variation in the character, volume and the detail of the information on sustainability that the selected retailers had posted on their corporate websites. Two companies, TJX and J.C. Penney had posted dedicated CSR reports, one company Inditex had included a major CSR section its most recent Annual Report and the remaining seven retailers had posted a variety of CSR information on their corporate websites.

These reports and information provided the empirical information for this paper and the specific examples and selected quotations from the retailers’ sustainability reports /information cited below are used for illustrative rather than comparative purposes. The principal focus of this study is an exploratory examination of the current CSR issues being publicly addressed by world’s leading fashion goods retailers rather than a systematic and comparative evaluation of the CSR policies and achievements of these retailers. In discussing the reliability and validity of information obtained from the Internet Saunders et.al. (2007) emphasise the importance of the authority and reputation of the source and the citation of a specific contact individual who can be approached for additional information. In surveying the selected retailers as described above the authors were satisfied that these two conditions were met. More specifically all ten retailers presented their CSR information in a variety of ways and under a variety of headings but in this paper the authors follow Jones et. al. (2006) in employing a fourfold classification namely, marketplace; environment: workplace: and community, as a basic framework to capture and review CSR commitments and achievements.

Findings

The term marketplace is generally seen to embrace both the sourcing of goods and services and their sale to customers but the former has attracted most attention on the selected retailers’ websites. Gap, for example, claims that its CSR programme ‘seeks to ensure that people working at various stages along our supply chain are treated with fairness dignity and respect’ and the company provides information on working with a wide range of stakeholders to bring improvements to workers lives, its support for freedom of association and collective bargaining, addressing child labour, handwork protection and human trafficking. Inditex reports on working with its suppliers in a six phase
programme designed to achieve improvements in working conditions. The phases include awareness raising, self assessment of suppliers, social audit, supplier rating, corrective action plans and follow-up audits. The company illustrates its corrective action with examples of initiatives designed to introduce effective collective bargaining systems, to increase the availability of purified drinking water in the workplace and to ensure that suppliers comply with the company’s code of conduct on the payment of wages. TJX formally reports that its ‘Vendor Code of Conduct’ covers a wide range of issues including health and safety, forced labour, wages and benefits, working hours, harassment or abuse, discrimination and freedom of association which are all seen as important elements in the company’s ‘ethical sourcing program.’

A number of the selected retailers also explicitly identify the provision of value, quality and choice to customers are important CSR responsibilities. TJX report ‘continuously looking for ways to make the shopping experience for our entire customer base positive and pleasant.’ H&M stress the importance of ‘product safety and quality’ as part of its commitment to ‘provide fashion for conscious customers.’ The company claims, for example, ‘to offer the safest children’s garments in the market’ and stresses that ‘child safety is a vital factor throughout all stages of production.’ The commitment to consumer choice is perhaps most pointedly expressed by Macy’s, for example, which stress that ‘in a society as eclectic and ethnically varied as ours, customers expect and demand a range of choices that meet their individual needs and fashion preferences.’ More specifically the company argues that ‘varied and conflicting viewpoints of the workings of a free economy are inappropriate determinants of retail offerings’ and ‘while we respect the views of individual who chose not to buy or wear fur, we also respect the wishes of many others who are our customers and who want to make such choices for themselves.’

Environmental issues loom large within the CSR material posted on the Internet by the top ten fashion goods retailers. These issues include climate change; energy consumption; waste management, recycling and re-use; water consumption; distribution: emissions; biodiversity; environmental conservation and building relationships with environmental agencies. Limited Brands, for example, stresses its commitment to ‘conducting our business in an environmentally responsible way’ and to this end the company claims to be ‘always looking for ways to reduce our environmental impact’ and to be ‘working to shrink our footprint through better natural resource management.’ More specifically the company reports on ‘rolling out numerous energy efficient projects which have significant energy savings and pollution reduction associated with them.’ These projects include the introduction of low wattage light bulbs and more tightly temperature controlled air conditioning within existing stores, equipping new stores with more efficient lighting technology, the replacement installation of more efficient lighting fixtures in distribution centres and working with freight carriers to maximise the use of ocean vessels and minimise the use of air shipment.’

H&M recognises that ‘our business depends on natural resources’ and stresses that stresses ‘increasing scarcity of resources like water highlights how important it is for all of us to use natural resources responsibly’ and emphasises that it is ‘committed to conserving water,
soil, air and species.’ The company reports, for example, on its involvement in the ‘Better Cotton Initiative’ which seeks to develop and promote sound farming practices which enable more cotton to be grown while at the same time reducing water use and chemical applications as well as protecting working conditions and biodiversity. The company further reports on its increasing use of organic cotton, which is grown without the use of chemical fertilisers and on its efforts to improve water management throughout the product life cycles. J. C. Penney emphasises its commitment to waste management and reports on its recycling of plastics, paper, light bulbs and fluorescent tubes and a number of metals including steel, lead, copper and aluminium, light bulbs, on the reuse of plastic hangers and on the elimination of unnecessary packaging, on the introduction of recyclable shopping bags and on limiting overall paper consumption.

A number of the selected fashion goods retailers report on their workplace commitment to their employees. Here the basic argument is that caring for staff is essential to their continuing success and growth as illustrated by one of Isetan’s CSR ‘priority challenges’ namely its focus on ‘employment and human resources’ which centres on ‘initiatives to create comfortable working conditions and maximize the potential of human resources.’ The selected retailers’ commitment to their workforces is evidenced in a number of ways. Such evidence covers a range of themes including remuneration and reward, working conditions, career progression, well being, diversity, equal opportunities, flexible working arrangements, and training and development. Gap, for example, stress their commitment to focussing ‘carer development on the individual with a big emphasis on providing a variety of experiences over time’ and it reports on apprenticeship programme and leadership programmes and on retail academy. Macy’s claims that ‘diversity is at the core’ of its ‘approach to doing business’ and that ‘it touches all areas of our company.’ Thus Macy’s believe that ‘different perspectives are important to our company and we benefit greatly from the individual strengths of each associate’ and that to ‘serve our diverse customers we have to have a diverse company.’ At the same time the company reports that ‘multicultural marketing’ is ‘a crucial part of our diversity strategy’, that it uses ‘powerful and evocative images, symbols and words to communicate our brand messages, our special events and our merchandise selections to our diverse customers’ and that it works with ‘minority-owned and women-owned agencies to ensure our concept development and ad placements are in sync with our multicultural customer.’

Some of the selected clothing retailers provide information on their impact on, or their contribution to, the communities in which they operate and on their charitable donations. TJX, for example, argues that ‘supporting the people and organizations in our neighbourhoods and fostering a sense of community is integral to how we operate as a company.’ The TJX Foundation concentrates charitable donations on programmes that provide basic needs in communities where the company does business. The emphasis is on programmes that teach disadvantaged individuals independent living skills, on the prevention of domestic violence, on the provision of academic and vocational education opportunities for disadvantaged young people, on programmes designed to strengthen family units within disadvantaged communities. In a similar vein Gap focuses its community investment on ‘creating opportunities for underserved youth in the developed
world and women in the developing world.’ The company suggests that it has much more to offer than cash in that it can call on its stores, marketing expertise, globally recognised brands, vendor relationships and its employees ‘to make a deeper impact than we could if we solely wrote a check to support a cause.’

Discussion

All of the world’s top ten fashion good retailers publicly recognise and report or provide information, albeit in varying measure, on some of the impacts their business have in the marketplace, on the environment, on their workforce and on the communities in which they operate {and} but a number of more general issues merit discussion. Firstly while the leading fashion goods retailers generally publicly claim a strong commitment to CSR it is important to recognize that in practice within what is a rapidly changing and fiercely competitive trading environment these retailers need to balance these CSR commitments against their commercial imperatives. Although the leading retailers in this sector may wish to integrate CSR more fully into their businesses this may not always be reflected at either the strategic or the operational levels. While many of the leading fashion goods retailers claim to be delivering value to their customers, intense price competition for example, may witness them renegotiating lower prices which their suppliers which may in turn reduce the wages and working conditions of large numbers of people employed by suppliers in the less developed world. At the store level managers who are working to meet what may be ever more demanding operational and financial targets and /or to achieve performance related bonuses may, for example, when facing problems in staff scheduling, put employees under pressure to work outside the hours that suit their work/life balance or refuse to release employees for training and retail education programmes. It certainly would be foolish to suggest that senior executives within the leading fashion retailers do not recognise these pressures and the operational and commercial imperatives that give rise to them and if CSR agendas begin to have damaging commercial consequences for the leading fashion goods retailers at either the corporate or the operational level then these agendas may be severely tested. Such tensions seem likely to form a persistent and ongoing challenge for those charged with managing and delivering on CSR commitments.

Secondly in some ways the many of the leading fashion retailers’ CSR commitments can be interpreted as being aspirational. However as investors, customers, government, the media and regulatory bodies become increasingly interested in, and concerned with, CSR issues so the leading fashion goods retailers may increasingly need to report on, and evidence, their CSR commitments and achievements much more publicly and vigorously in an attempt to protect and enhance their reputation within the retail marketplace. Some of the leading fashion goods retailers provide summarised and selective information on their web sites about their CSR commitments and achievements and on a number of occasions simple case studies are used to illustrate these commitments. Such an approach might be perceived to be user friendly and to offer some recognisable details to illustrate what might be perceived to be otherwise a dry
statement of achievements but it does not provide a comprehensive statement nor any systematic measure of these achievements. While a number of the selected retailers provide some quantitative measures of their achievements and future targets they generally make, at best, limited reference to Key Performance Indicators or to participating in more systematic external conventions designed to measure and benchmark their CSR performance. Arguably more importantly there is little or no evidence of the leading fashion goods retailers commissioning and then publishing independent external assurance of their CSR reporting and in many ways this can be seen to call into question the reliability and credibility of the reporting process.

However it is important to note that the world’s leading fashion goods retailers are large, complex and dynamic organisations. Capturing and storing information and data across a diverse range of business activities throughout the supply chain in a variety of geographical locations and then providing access to allow external assurance is a challenging and a potentially costly venture and one which the world’s leading fashion goods retailers currently seemingly choose not to pursue. Thus while a retailer’s carbon emissions may be systematically collected, collated and audited as part of the company’s environmental CSR commitments, information on their contribution to local communities and levels of staff satisfaction may be more difficult to define, measure and assure. TJX, for example, recognises the difficulties and complexities associated with achieving all its ethical goals and suggest that ‘improving working conditions in factories in underdeveloped countries is an ongoing effort’ but that’s its goal, ‘when possible and reasonable, is the continuous improvement of conditions at factories’ in the belief that ‘this is preferable to pulling out of factories, and gives us the ability to influence positive change.’

Thirdly there is also a set of issues about the way in which CSR is constructed. In many ways the leading fashion goods retailers have constructed CSR agendas built around business efficiency and the search for competitive advantage and they are driven as much by business imperatives as by a concern for CSR. The emphasis is thus primarily on efficiency gains across a wide range of economic, social and environmental areas. Thus while many of the environmental initiatives are designed to reduce energy and water use and waste generation, for example, they also serve to reduce costs. In a similar vein workplace initiatives focused on training and development, succession planning and employee wellbeing all help in recruiting and retaining members of staff, in motivating them, and in providing a fulfilling workplace experience. This is reflected, for example, in Gap’s argument argues that its ‘efforts to improve the lives of people who work on behalf of our company help us to run a more successful business. People who work a reasonable number of hours in a safe and healthy environment not only have a better quality of life, but they also tend to be more productive and deliver higher quality product than those work in poor conditions.’ More generally there are arguments that CSR is effectively smokescreen, which helps to mask damaging impacts by providing selective illustrative examples of ways in which companies are having positive impacts within the marketplace, the environment, the workplace and within communities.
That said the fashion goods retailers’ construction of CSR, which emphasises efficiency, could be interpreted as being consistent with some national and supranational governments visions for CSR. The UK Government’s vision for CSR (Department of Trade and Industry 2004), for example, looks to ‘promote business activities that bring simultaneous economic, social and environmental benefits’ while achieving high and stable levels of economic growth.’ In a similar vein the European Commission (2011) argues that ‘CSR is increasingly important for the competitiveness of enterprises’ and that it can ‘help to create an environment in which enterprises can innovate and grow.’ This in turn begs questions about complexity and ambiguity in defining CSR, referred to earlier, and about the nature of the relationship between the state and retail capital and the locus of power within that relationship. French (2002), for example, argues that many states within advanced capitalist societies have sought to ‘implement sustainability through a restricted public sphere paradigm which places greater emphasis on the corporate imperative’ namely that the state must not jeopardise ‘the competitiveness of domiciled corporate interests in the wider globalized economy’. With this in mind he views the role of the state in the promotion of CSR as a controversial one and he argues that ‘there is a balance to be drawn somewhere between overly prescriptive regulation, on the one hand, and the withdrawal of the state from the debate altogether, on the other’. Here the argument is that without political direction the market cannot be relied upon to promote CSR while at the same time the state cannot deliver CSR goals by regulation and legislation alone.

Conclusion

During recent years industry as the balance of power within the fashion good supply chain has shifted from the manufacturers to the retailers so the leading retailers within this supply chain have come under increasing media and public scrutiny and there has been growing criticism of the economic, social and environmental conditions under which clothes are produced. In response to such criticism the leading fashion goods retailers have looked to recognise some of the social, economic and environmental impacts of their operations, to develop CSR policies and agendas and to publicly address their CSR commitments and achievements. However it might be argued the authors argue that the leading fashion goods retailers’ commitments to CSR can be interpreted as being driven as much by business imperatives as by commitments to social responsibility. More specifically the accent is upon efficiency gains across a wide range of economic, environmental and social issues designed to maintain and enhance their market position in a competitive trading environment. Moreover the leading fashion goods retailers’ seeming reluctance to commission and then publish independent external assurance as an integral element of their CSR reporting can be reduce the reliability and credibility of the reporting process.

References


THE WORLD’S TOP TEN FASHION GOODS RETAILERS’ WEB SITE ADDRESSES
Macy’s http://www.macys.com/
TJX http://www.tjx.com/
Kohl’s http://www.kohls.com/AboutKohls/AboutKohls01.htm
Inditex http://www.inditex.com/en
LVMH http://www.lvmh.com/
H&M http://www.hm.com/gb/
Gap http://www.gap.com/
Isetan http://www.imhds.co.jp/english/index.html
Limited Brands http://www.limitedbrands.com/