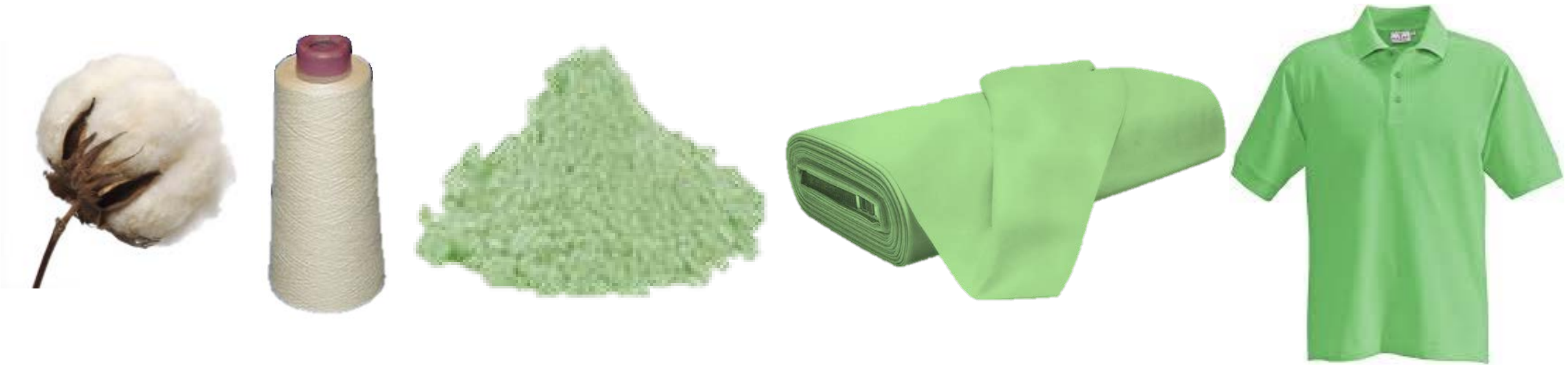


Large Retailers' Role in Governance for Sustainable Production: The Case of UK Retailers Selling Cotton Garments Produced in India



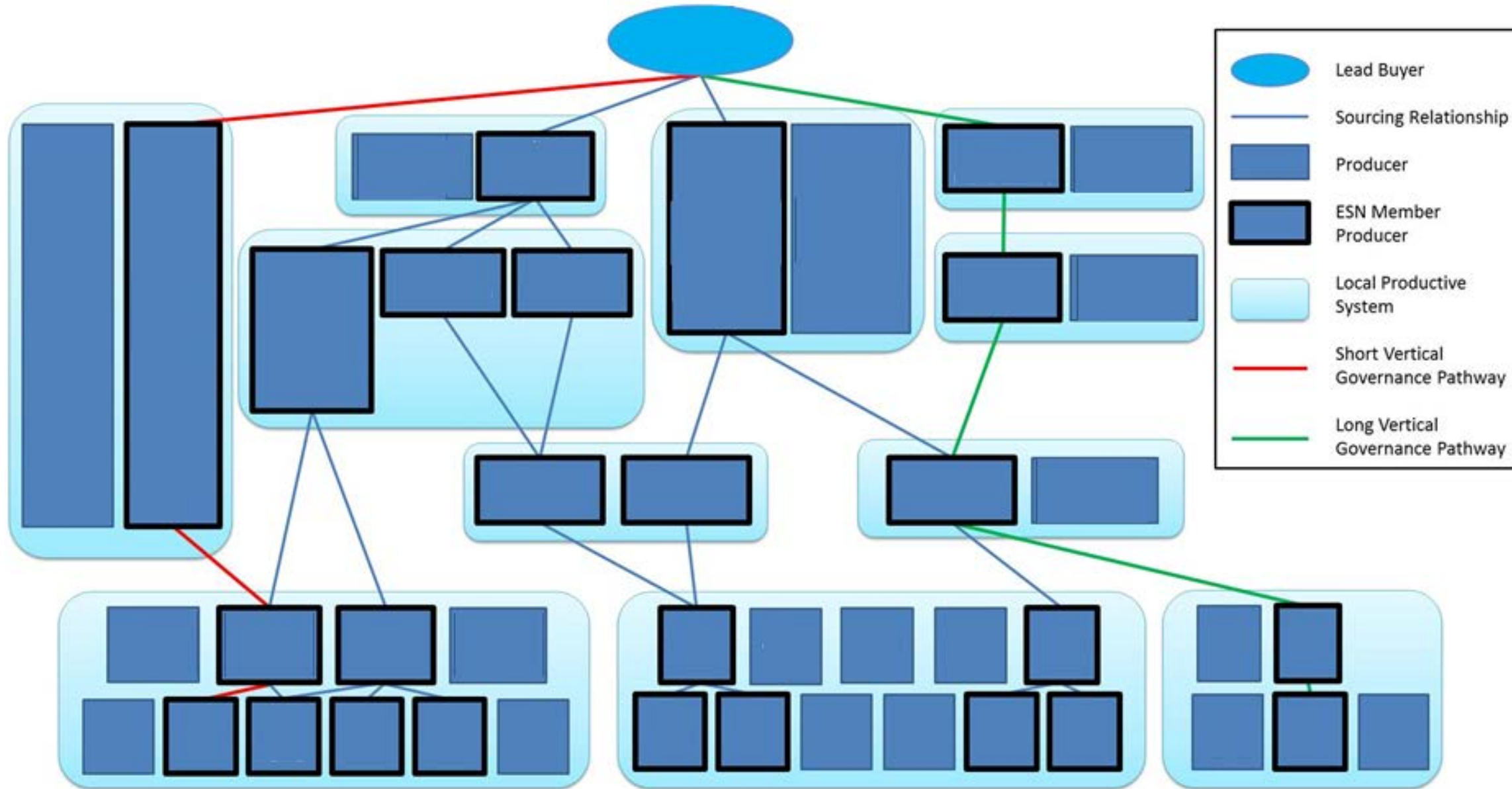
Global Conference on Prosperity, Equality and Sustainability: Perspectives and Policies for a Better World
India International Centre, New Delhi, India - June 2, 2016

Rachel Alexander, University of Manchester

Sustainable Production for Brands and Retailers

- UK brands & retailers are under increasing pressure to sell sustainably made products
- Sustainable Production:
 - Involves practices across the production stage of a product's life-cycle, from raw material generation to the final stages of manufacturing
 - Minimally harmful (or beneficial) to the environment and provides positive social outcomes
- Most production for UK brands & retailers is outsourced, stages of production are fragmented
- Considerations for brands & retailers ensuring sustainable production for outsourced products
 - 1) Some factors can be clearly controlled internally, such as ***product qualities***
 - ie. designing products that are made with recyclable material
 - 2) Other factors less easy for buyers to control, such as ***production processes*** used by independent producers
 - ie. working arrangements

Production In an Extended Supplier Network



Role of Lead Buyers in Promoting Sustainable Production I

Vertical Pathways (Commercial Connections)

- Compliance has dominated early attempts to promote sustainable production processes
 - Approaches usually involve retailers applying codes of conduct to their 1st tier suppliers (labour focused)
 - Compliance approaches face multiple problems (Barrientos & Smith 2007; Locke 2013)
- Growth of cooperative approaches in response to failures with compliance (Lund-Thomsen & Lindgreen 2014)
- Retailers' commercial connections to production concentrated among upper tier suppliers
- Reaching lower tier producers across fragmented paths amplifies problems with vertical approaches
 - Lower tier producers often do not have clear commercial (vertical) connections to lead buyers, difficulties with traceability
 - Retailers may not buy a large proportion of outputs of lower tier producers

Role of Lead Buyers in Promoting Sustainable Production II

Horizontal Pathways (Creating New Connections to Producers)

- Facing challenges with vertical approaches, brands and retailers can consider alternate approaches to reach lower tier producers
- One option UK retailers are starting to use is governance through horizontal pathways:
 - Connecting directly with local productive systems/communities
 - Promoting change within local productive systems

Developing Horizontal Governance Approaches to Promote Sustainable Production

Question:

- *What can we learn from looking at how local productive systems in one extended supplier network have dealt with governance pressures surrounding sustainability challenges?*

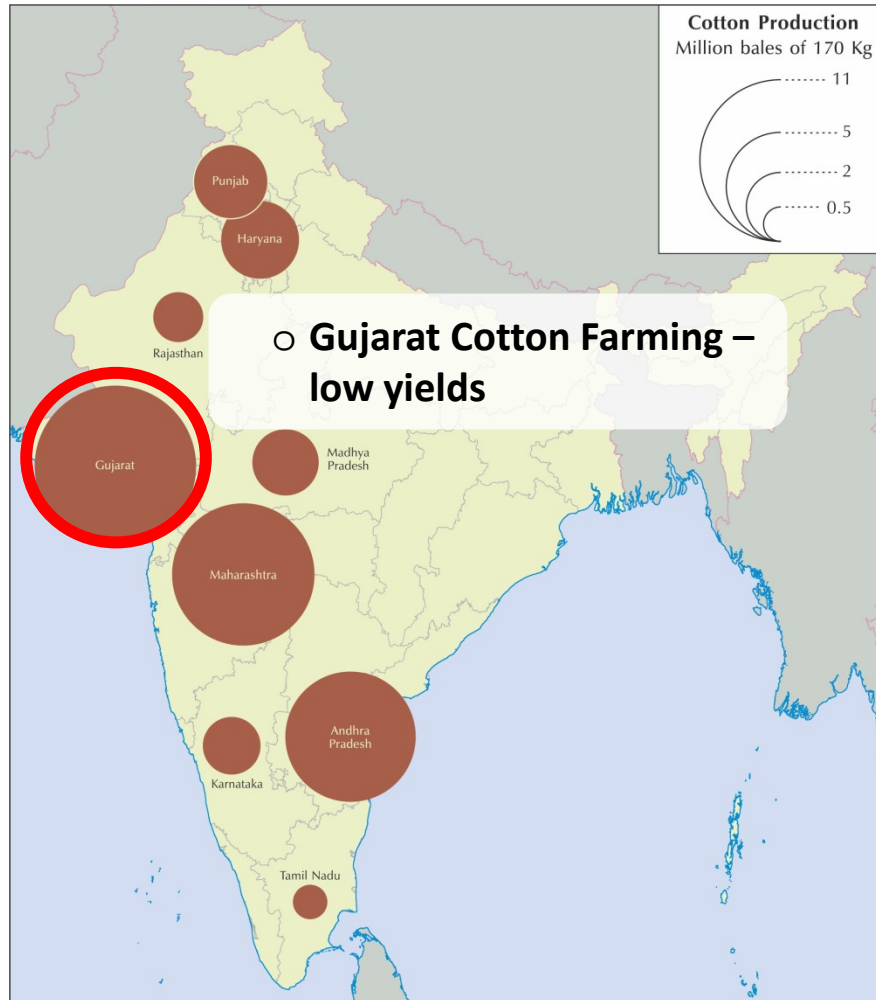
Comparative Case Study:

- 3 local productive systems
- Based in India and involved in production of cotton garments for UK retailers
- Experienced a significant change in production related to a key sustainability challenge

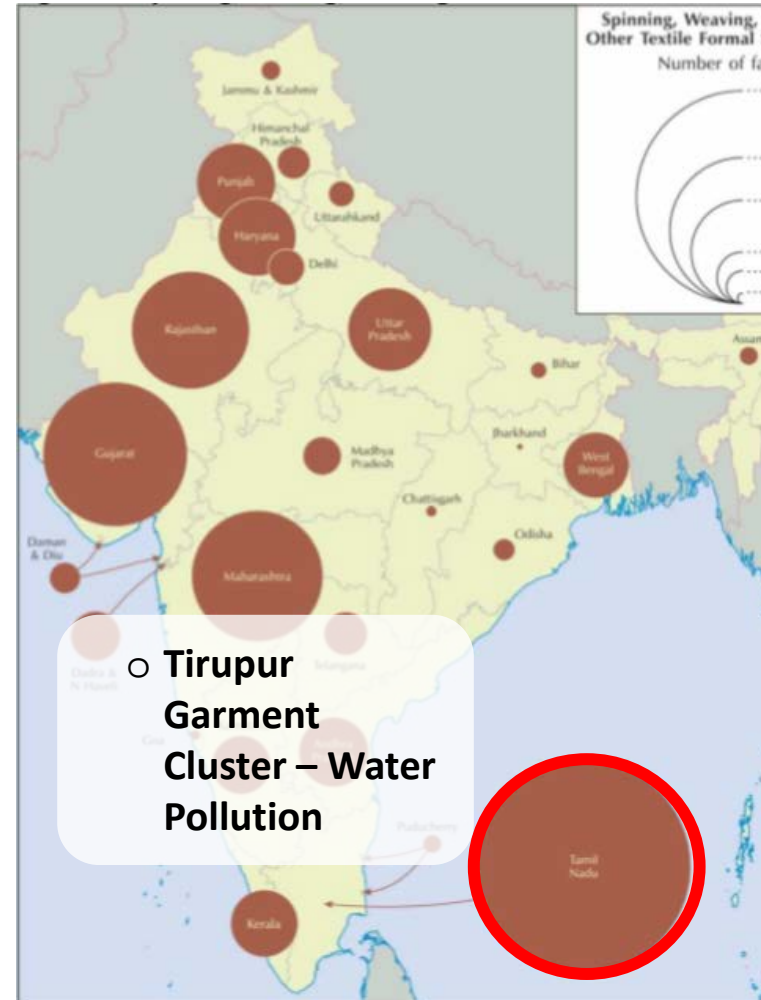
Research Design

- Case study of Indian branch of cotton clothing production for top 20 UK clothing retailers

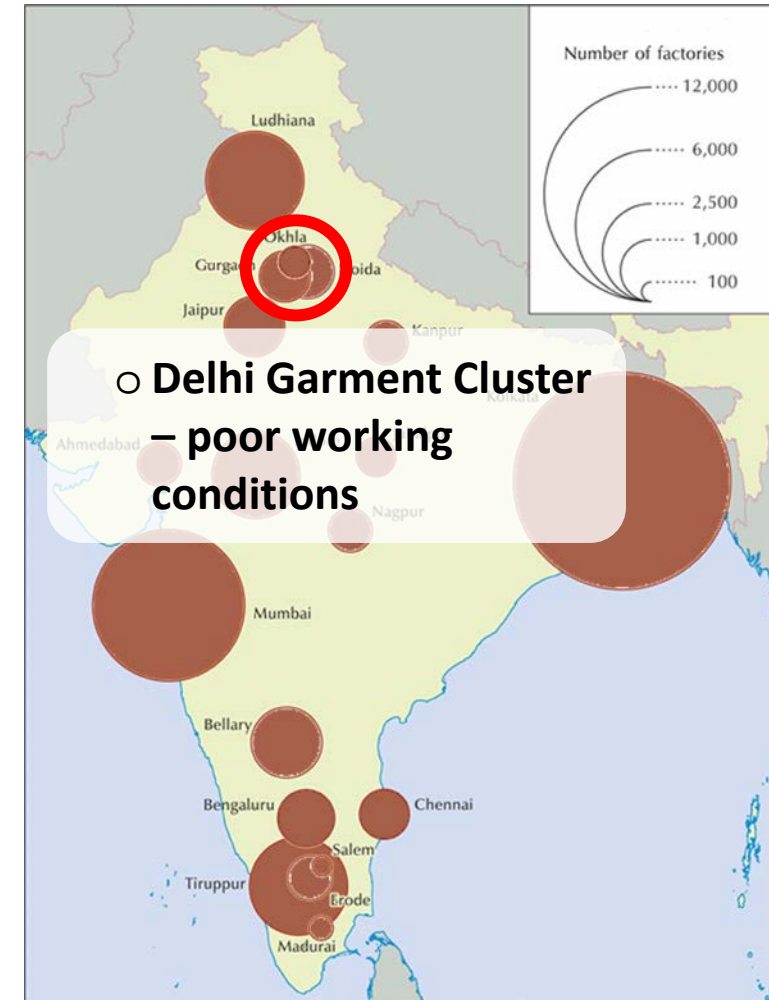
Cotton Production 2013-2014



Spinning, Weaving, Finishing and Other Textile Factories in India



Major Garment Production Clusters in India

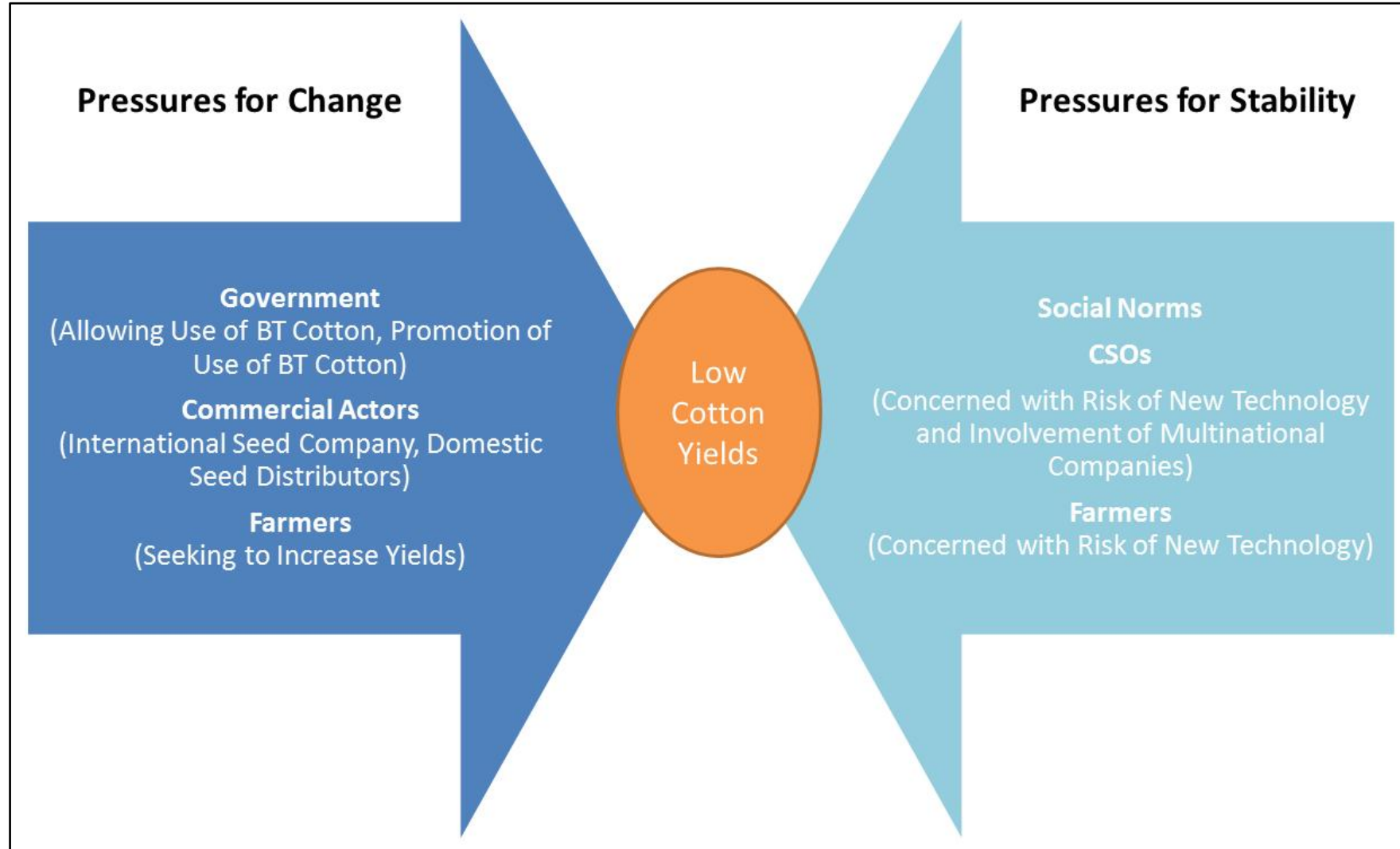


Data collected through 2013 field work in the UK & India (98 interviews covering 65 ESN businesses, various governance actors & experts); documentary evidence (firm generated & 3rd party documents, news coverage)

Gujarat Farming



Low Yields for Gujarat Farming



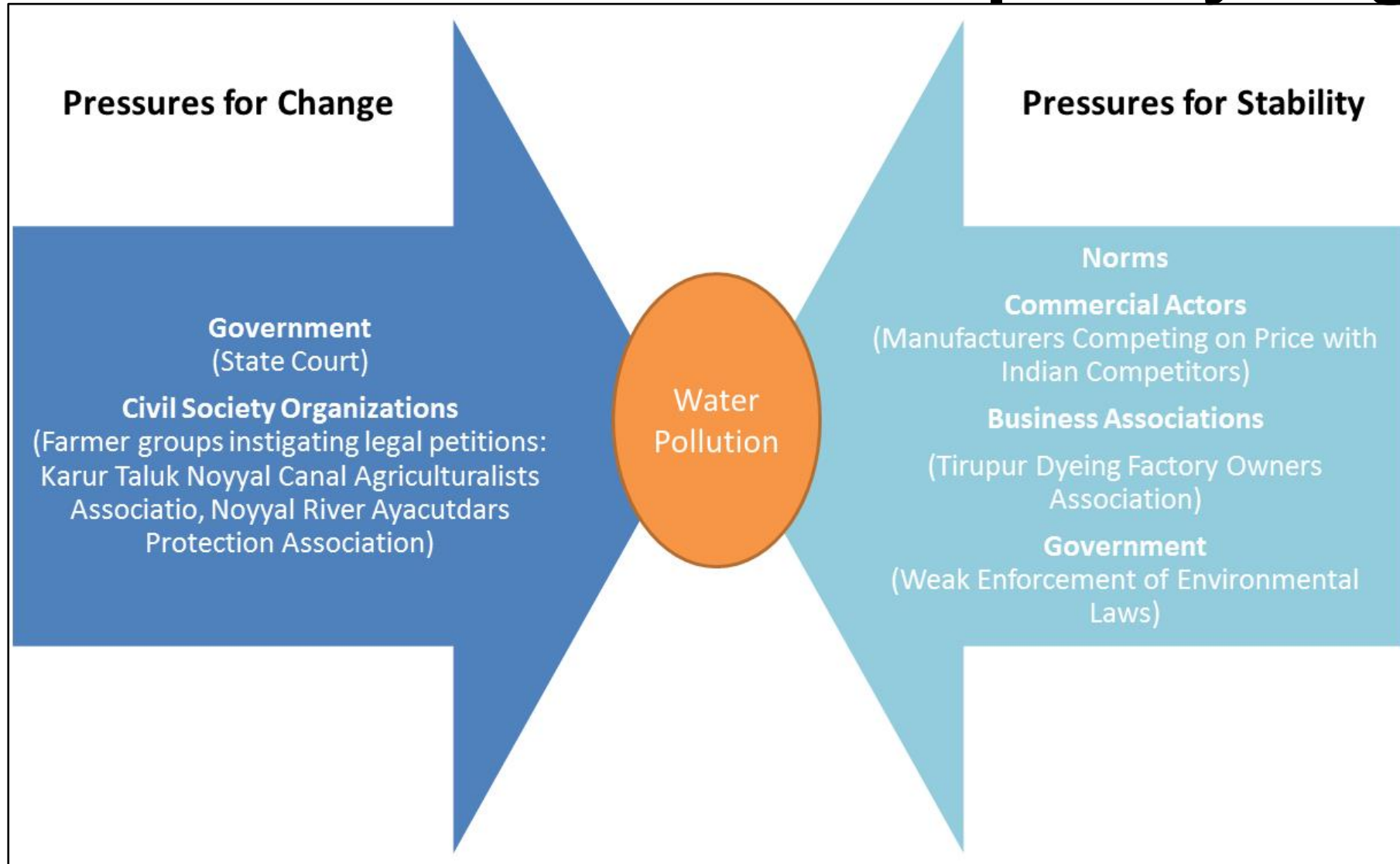
Outcome

- Dramatic shift in production towards BT cotton

Tirupur Dyeing



Water Pollution from Tirupur Dyeing



Outcome

- Processes changed, effluent treatment technology used to reduce pollution
- Some factories close unable to meet environmental regulations

Child Labour in the Delhi Garment Cluster



PRIMARK

Our Ethics

Supplier Code of Conduct

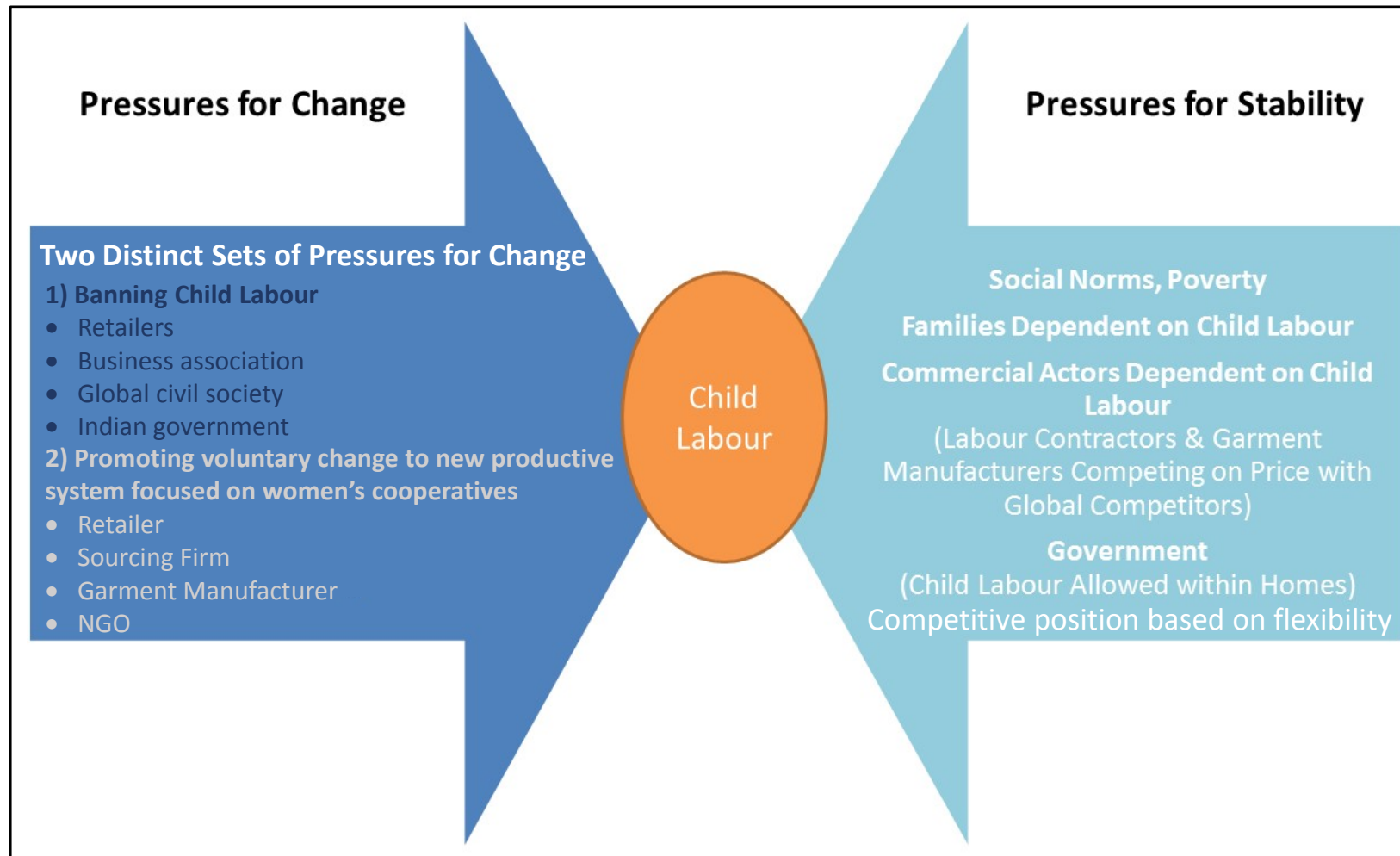
Introduction

Primark, as a leading and expanding international clothing retailer, is committed to sourcing the highest quality products from many countries with diverse cultures and economies.

Primark is committed to the procurement of these products being carried out in strict accordance with the Primark Code of Conduct which incorporates the United Nations Charter, Chapter IX, article 55.

All suppliers of products to Primark will do so in accordance with this Code of Conduct. For these

Child Labour in the Delhi Garment Cluster



Outcome	
1	<ul style="list-style-type: none"> • Processes changed, businesses adapted to gain certification, practices pushed out of remit of inspectors • Child labour continued through subcontractors (Phillips et al. 2011; Bhaskaran et al. 2013)
2	<ul style="list-style-type: none"> • Buyers initially interested in sourcing from specially trained cooperatives • Fixed skill set of members of cooperatives not compatible with changing style demands

Key Horizontal Governance Dynamics

- Sustainability challenges are diverse with some involving stronger pressures for stability
- Each LPS has a distinct structure with different key governance actors promoting change and stability
- Different governance mechanisms have promoted change, examples seen of effective mandatory and voluntary pressures

Governance Experiences in Local Productive Systems

- Multiple governance mechanisms have promoted change
 - Mandatory pressures, multiple actors may have coercive power:
 - Powerful buyers
 - Government actors (multiple scales)
 - Initiated by civil society
 - Facilitated by business associations
 - Voluntary Pressures
 - Convincing producers through “selling” new process that producers voluntarily adopt
 - Cleaner production, lean manufacturing (Locke 2013), improving triple bottom line
 - Mimetic isomorphism (DiMaggio & Powell, 1991), spread of processes seen as beneficial
- Change can involve restructuring practices in ways that allow the continuation of behaviours causing sustainability challenges

Implications for Brands and Retailers I

- Key differences of sustainability challenges in LPSs in one ESN:
 - Distinct groups of key governance actors
 - Variable stickiness of sustainability challenges (pressures for stability & change)
- Promotion of sustainable production needs to be based on understanding local context
 - One size fits all approach not likely effective
- Mandatory and voluntary mechanisms have led to change

Implications for Brands and Retailers

II

- Retailers can strategically collaborate with key governance actors in local productive systems (horizontal approaches)
- Horizontal approaches can be used to complement vertical approaches, which have their own limitations
 - Horizontal interventions may not meet demands for traceability
 - Horizontal approaches may pragmatically focus on key regions, covering large groups of producers
- Mechanisms used in horizontal approaches need to be based on understanding local pressures for stability & change

Growth of Horizontal Approach

- UK retailers are expanding their use of horizontal approaches
 - Marks and Spencer launched Global Community Programme in 2015
 - In 2014-15, New Look implemented 65 projects across China, Bangladesh, India, Cambodia, Vietnam, UK and Turkey
- Questions raised:
 - What is the future for new governance roles for global lead buyers?
 - Who sets sustainability priorities?
 - Are emerging approaches scalable?
 - Does the introduction of targeted policies for local productive systems by global private actors undermine national sovereignty?

Questions or Comments?

Contact: rachel.ruth.alexander@gmail.com or rachel.alexander-2@manchester.ac.uk