Focusing Events and Changes in the Regulation of Labour Standards in Australian and German Garment Supply Chains

Elke Schüßler (Johannes Kepler Universität Linz)

Stephen J. Frenkel (University of New South Wales)

Chris F. Wright (University of Sydney)

Abstract

Informed by CSR theory and political science literature, this paper examines variation in lead firms' labour standards policies following the 2013 Rana Plaza building collapse as a catastrophic 'focusing event'. Comparing a sample of 20 Australian and German garment retailers and brands, we examine whether lead firms with particular characteristics such as size or sourcing proximity to Bangladesh made more policy changes. We find that firms subjected to pressure from external stakeholders made more and deeper changes and that stakeholder pressure varied across national contexts, with Australian firms being more broadly targeted and responding more vigorously than German firms. Thus, focusing events create differential opportunities for stakeholders to exert influence over multinational enterprises depending on national historical and political economic conditions.

Introduction

Exploitation of workers in developing economies is a major concern where intense global competition occasioned by trade liberalization encourages lead firms in advanced economies to pressure suppliers to continually improve productivity (Raworth & Kidder, 2009; Anner, Bair & Blasi, 2013). Resisting such pressure is difficult because suppliers' profit margins are thin, lead firms' switching costs are low, and many developing country governments fail to implement labour legislation (Davies & Vadlamannati, 2013). Furthermore, international conventions and social clauses in trade agreements are not accompanied by meaningful sanctions (Fransen, 2011; Nolan & van Heerden, 2013) and 'soft law' policies fail to effectively regulate labour standards (Wells, 2007). Power tends to accrue to the lead firms who determine buyer-supplier relationships (Bulut & Lane, 2011). Apart from a few large, brand-conscious firms that maintain relatively high labour standards on account of NGO vigilance (Ruggie, 2013), labour standards are under constant threat of erosion.

The Rana Plaza factory collapse in April 2013, which left 1,130 mainly female Bangladeshi garment workers dead and over 2,000 injured (Clean Clothes Campaign, 2013), is a particularly harrowing example of the consequences of such pressure that has intensified in the 'fast fashion' era (Taplin, 2014). Although primarily a building safety problem, this shocking, highly publicized incident drew attention to the lack of labour standards in the garment industry, including the absence of worker voice which might have prevented this tragedy from taking place (Bolle, 2014). New initiatives for improving building and workplace safety have been agreed, most importantly the bilateral 'Accord' (for Fire and Building Safety in Bangladesh) favoured mainly by European firms and global and local unions and the unilateral 'Alliance' (The Bangladesh Worker Safety Initiative) supported by a smaller number of major and mainly US firms. Additionally, some Western governments responded on a national (e.g. the German "Textile Alliance") or transnational level (e.g. the

European Union (EU) Sustainability Compact). This unique empirical setting permits a critical examination of lead firms' responses to significant labour standards violations, particularly the mechanisms that influence the extent and nature of firm-level policy changes.

The main purpose of our paper is to ascertain whether the Rana Plaza building collapse shook up existing and largely ineffective structures of labour standards regulation in global garment supply chains. We engage with CSR theories of lead firms' labour standards decisions that emphasize the importance of stakeholder pressure and structural characteristics influencing firms to adopt stronger (e.g. multilateral) rather than weaker (e.g. unilateral) forms of regulation (Bartley & Child, 2014; Fransen & Burgoon, 2012; Marx, 2008). This approach precludes an examination of contributory political and temporal dynamics including different forms of activist pressure underlying lead firms' preferences for different forms of private regulation (Fransen & Burgoon, 2012: 260; Marx, 2008: 269). Responding to this limitation, we use a 'focusing event' perspective (Birkland, 1998; Kingdon, 2003) to examine how lead firms and stakeholders responded to the Rana Plaza disaster in the context of two national economies, Australia and Germany.

Theoretical Framework

Prior research has explained why particular types of firms are more likely to support stronger labour standards regulation (Fransen & Burgoon, 2012; Marx, 2008). One aspect repeatedly highlighted is pressure exerted by external stakeholders such as NGOs, trade unions, consumers and the media, which may vary according to firm type (Bartley & Child, 2014; Locke et al. 2009; Locke, 2013: 28-31) and across different national institutional contexts (Fransen & Burgoon, 2012; Bair & Palpacuer, 2012). Stakeholders often contest corporate practices in the light of particular opportunity structures (den Hond & de Bakker, 2007; McAdam & Scott, 2005). Such opportunities emerge when firms experience instability (King,

2008) or when organizational fields are disrupted by an exogenous shock, bringing about an episode of contention that creates opportunities for collective action (Fligstein & McAdam, 2011).

A focusing event is a sudden, major and often harmful, highly publicized occurrence that creates opportunity structures for advocacy groups to agitate for institutional change (Birkland, 1998). According to Kingdon (2003), a focusing event requires three mutually reinforcing pre-conditions that contribute to opening a policy window for change: acknowledgement of a problem that needs resolution; a consensus favouring a policy proposal to solve the problem; and political pressure compelling policy-makers to act. However, conversion of a major social or environmental event to a focusing event is not inevitable: key stakeholders may perceive the event differently and it may be 'crowded out' by competing problems resulting in its exclusion from the relevant political agenda. Even if an event succeeds in gaining the serious consideration of policy-makers, contestation may result in a failure to agree on a viable policy (Farley et al., 2007) or have only short-term effects (Bishop, 2014). A focusing event therefore requires stakeholders' agreement that it constitutes a significant social problem and that attention is sustained until policy solutions are sought and introduced (Hoffman & Ocasio, 2001). Thus, the effect of a focusing event depends on purposive agency that creates linkages between problems, policies and politics (Mucciaroni, 1992).

Focusing event framing has been used to explain stakeholder interaction in national-level forums and government policy (Baumgartner & Jones, 1993; Birkland, 1998), but is also relevant in more fluid 'private' domains, including the governance of labour standards in global supply chains over which state actors have less influence. In this context, groups seeking to hold lead firms to account are more reliant on voluntary action: mobilizing consumers and orchestrating media pressure against target organizations (Donaghey et al., 2014). Since firms constantly have to select which of many competing issues to include on their agendas (Bundy et al., 2013), focusing events can provide a strong opportunity for external stakeholders to contest corporate practices by defining particular problems, making them salient for firms, and prosecuting related policy solutions. Focusing events may thus provide opportunities to break up the structural dominance of lead firms in global production networks.

A focusing event is unlikely to exert the same effect on all firms in a particular field. According to Chandler (2014), field-wide events may encourage firms to adopt particular policies as a signal to stakeholders, but the extent and nature of policy implementation, which are less visible to outsiders, depend on whether the event is critical for an individual firm. The Rana Plaza incident can thus be expected to make most garment lead firms signal some form of commitment to building safety and labour standards issues. At the same time, the literature identifies several structural factors that may induce firms to respond differently in terms of the content and form of their labour standards policies. In our setting, we differentiate three possible types of responses to Rana Plaza regarding an improvement in labour standards: 1) signing the Accord/Alliance, 2) amending corporate CSR policies, and 3) changing relations with suppliers including adjusting the number of suppliers. These responses may be interlinked in that, e.g., Accord membership may also bring about further changes in CSR policies, or they may be pursued in isolation from each other. Our focus is on the types of labour standards policy change undertaken by lead firms in response to Rana Plaza, assessing the number of changes and their content.[1]

The first factor that influences policy change is the perceived threat to corporate reputation arising from critical examination and pressure from NGOs, consumers, unions, investors or the media to which firms respond by taking remedial action (den Hond et al.,

[1] In this context policies refer to both formal policies and authoritative statements made by senior managers intended for implementation. Based mainly on interview data, we are unable to verify whether these policies were implemented. Thus, we speak of policies rather than practices.

2014; Egels-Zandén, 2009; Fransen & Burgoon, 2012; Locke et al., 2013; Marx, 2008; Riisgard, 2005). Hence our first conjecture is that *firms that have been directly targeted by stakeholders after Rana Plaza will make more policy changes in response to the Rana Plaza disaster than firms that have not been targeted*.

Second, firm-level characteristics can be expected to make a difference, particularly the following: size, type of firm, and proximity to the event. Large firms tend to have the strongest influence over prices and supplier practices and therefore offer the highest potential for changes in relevant labour standards policies, which is why they are commonly targeted by stakeholders (Bartley & Child, 2014). In addition, larger firms tend to be publicly-owned and hence subject to more careful scrutiny by fund managers who are likely to be more sensitive to falling share prices arising from adverse publicity (Marx, 2008). Thus, we propose that *large firms will make more policy changes in response to the Rana Plaza disaster than smaller firms*.

Sensitivity to company or brand reputation damage is likely to depend on firm type (Millington, 2008; Wright, 2016). According to Bartley and Child (2014), specialty garment retailers (e.g. H&M) and branded marketers (i.e. firms with prior experience of garment manufacturing but who now contract out their manufacturing, e.g. *adidas*) are more closely implicated in the global garment market than general retailers (i.e. high volume department stores and supermarkets where garments comprise a small proportion of sales) and brand manufacturers (i.e. firms that continue to manufacture some or all of their own brand products, e.g. Hugo Boss). Because a larger proportion of their total revenue and brand reputation is connected to garment suppliers in higher risk, mainly developing countries, speciality garment retailers and branded marketers are particularly sensitive to reputational damage arising from a focusing event like Rana Plaza.[2] Thus, we expect that *branded*

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[2] Brand manufacturers are also closely implicated in global garment markets but they are likely to be less responsive to a focusing event like Rana Plaza compared with other firm types because they tend to exercise

garment marketers and specialty garment retailers will make more policy changes in response to the Rana Plaza disaster than general retailers and garment brand manufacturers, either because they anticipate stakeholder pressure or because they are more actively targeted (Bartley & Child, 2014).

Focusing events occur in a particular place (Savar Upazila for Rana Plaza), however it is more common to refer to the more widely known, relevant city (Dhaka) or country (Bangladesh). The more a firm is associated with a focusing event, the stronger the threat of reputational and possible legal damage and hence the more likely the firm will seek to minimize this damage. Hence our fourth conjecture: *firms that sourced from Bangladesh will make more policy changes in response to the Rana Plaza disaster than firms that either sourced a very limited amount or did not source at all from Bangladesh prior to the incident.* This effect might again be moderated (strengthened) by actual or anticipated stakeholder pressure.

National institutional arrangements are a fifth potential explanation for variation in firms' labour standards behaviour. Fransen and Burgoon (2012) note that countries vary in the maturity of their national discourse regarding sustainability and the extent to which firms' CSR activities are encouraged. Based on available evidence regarding Western European economies, these authors classify the UK, the Netherlands, Switzerland and the Nordic countries as "forerunners," other Continental countries, including Germany, as "followers" and Mediterranean countries as "laggards" (to which we add Australia as explained below). This classification chimes with Bair and Palpacuer's (2012) contention that the European anti-sweatshop movement originated in two "forerunner" countries: the UK and the Netherlands. We expect that *firms in "forerunner" or "follower" countries (e.g. Germany) will make more*

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close oversight and often have developed long-term relations with their main suppliers (Fransen & Burgoon, 2012).

policy changes in response to the Rana Plaza disaster than firms in "laggard" countries (e.g. Australia) because of relatively stronger normative pressures for change.

The Garment Industry and Research Design

Garment Manufacturing in Bangladesh and the Rana Plaza Disaster

Garments represent more than 80% of Bangladesh's exports and around a quarter of the nation's GDP (Labowitz & Baumann-Pauly, 2014). In 2014, the EU and North America accounted for 61% and 24% respectively of Bangladesh's ready-made-garment exports. Much of the remaining 15% was imported from firms based in Japan, Turkey and Australia (BGMEA, 2014). Bangladesh has become an attractive sourcing location for global garment firms due to the low cost of labour relative to China and Vietnam. There were earlier signs that building and labour standards in the garment industry were unsatisfactory (Seabrook, 2014: 24-26) so when Rana Plaza occurred negotiations aimed at improvements were already far advanced (Reinecke & Donaghey, 2015). Causes of the disaster have been attributed to various parties: the landlord for erecting an unsafe building; the factory owners for ignoring the cracks in the walls and ordering workers to work in unsafe conditions; the government for not enforcing relevant legislation; and the lead firms for sourcing garments from sub-standard suppliers (Bolle, 2014).

Comparative Research Design and Sample

Australia and Germany are advanced economies which share some common features but differ regarding several dimensions of interest that may explain variation in firms' labour standards policies. Similarities include a highly competitive market with low profit margins and a fragmented market structure where the largest four garment retailers account for less than 20% of industry revenue.

Three differences are noteworthy. First, the German market is more than three times larger than its Australian counterpart – €32.7 billion in 2011 (Eurostat) compared to around €9.28 billion in 2014-15 (Magner, 2015: 4) – and has a relatively large, complex fashion segment. Australia's largest segment is in simple and moderately complex basic fashion garments associated with 'full package' or 'full service' (includes design and prototyping by the supplier) orders that require little in-house production knowledge (e.g. Weller, 2007: 10-12). This accounts for the dominance of garment retailers (around 47% market share) and department stores (43%) in Australia (MarketLine, 2014: 11) compared to a stronger presence of medium-sized branded marketers and branded manufacturers in Germany (about 35 such firms among the top 100 garment retailers; own calculations). Brand marketers/manufacturers traditionally have stronger oversight of the production process than retailers, although these differences are eroding as brand manufacturers/marketers establish retail outlets and retailers expand their sales of private label garments (Lane & Probert, 2009).

Second, different firm types are associated with different forms of stakeholder pressure prevalent in the two countries. Investors play a larger role in Australia, a liberal market economy (Hall & Soskice, 2001) while in the tradition of a more co-ordinated market economy, German NGOs, unions and business associations have played an active role in the CSR debate, not least in the retail sector, since the 2000s (Hiss, 2009).

A third difference relates to knowledge and expertise in addressing international labour standards issues. Evidence pointing to Germany having a more robust discourse on labour standards than Australia comes from their respective development of National Action Plans (NAPs) on business and human rights encouraged by the UN's Guiding Principles on Business and Human Rights (OHCHR, 2011). A NAP was first discussed in Germany in 2013 and is scheduled for completion in 2016. Conversely, an Australian NAP was first mentioned in 2015 (GCNA/AHRC, 2015) with no formal planned date for completion. Based on official data (OHCHR, 2016), Germany is a “follower” according to Fransen and Burgoon’s (2012) classification, whereas Australia is a “laggard.”[3] Germany is also embedded in the EU, whose Sustainability Compact with Bangladesh establishes expectations that the Bangladeshi government will implement and enforce stronger labour standards than in the past.

With the above observations in mind, our research design aimed to create comparable sets of firms based in Australia and Germany thereby enabling examination of firm-level characteristics in the light of different forms of stakeholder pressures and national-level dynamics. Table 1 summarizes our sample described below.

INSERT TABLE 1 ABOUT HERE

Column 1 of Table 1 shows 10 Australian firms followed by a corresponding number of German firms. These firms were selected from lists of leading domestic garment retail and brand firms in the two countries. A greater degree of representativeness was sought by including several well-known medium and small firms.

Reflecting a tradition of bank borrowing rather than dependence on the share market for raising capital (Whitley, 1999), our sample shows that a higher proportion of German compared to Australian firms are privately-owned and thus do not face pressure from investors. Although German firms are larger on average, we sampled five firms that ranged from very large to giant and five small to large-sized firms in each country (for definitions see Table 1). Reflecting variations in market structures outlined above, our sample comprises a

[3] These data show that 10 countries launched NAPs between 2013 and 2015 and a further 19 are in the process of developing these plans. This list includes Germany. A further eight countries (Australia is not included) are mentioned as having started to take steps to develop a NAP.

larger share of brand marketers/manufacturers vis-á-vis specialty retailers compared to Australia.

Table 1 includes relevant information on sourcing proximity and stakeholder pressure. The majority of firms purchased from one or more Bangladeshi suppliers, however more German firms (seven) in our sample considered Bangladesh to be an important sourcing location compared to their Australian counterparts (two). Whether or not firms were subjected to stakeholder pressure following Rana Plaza was indicated by a media analysis in Australia and Germany one month after the Rana Plaza disaster (April-May, 2013), and repeated in 2014 and 2015 immediately following the anniversary of the incident.[4] Ten firms were mentioned in Australia, of which six were sampled. Five firms were mentioned in Germany, one of which agreed to participate in our study. Interviews subsequently conducted with firms revealed that a further two Australian lead firms and three German firms in our sample were influenced via direct unpublicized approaches by external stakeholders to change their labour standards policies.

Data Collection and Analysis

We approached 19 firms in Australia, 10 of which participated in our study. In Germany we contacted over 30 firms and stopped once we had a set comparable to the Australian sample. Some firms, particularly those previously targeted by NGOs, refused to participate in the research, mainly because of labour standards sensitivities or because they did not source from Bangladesh. We interviewed 15 CSR or purchasing managers in Australia and 11 in Germany, as these managers were the most knowledgeable about supply chain practices. One German firm responded in writing. Interviews were also conducted with field experts from

[4] For Australia, a Factiva search of articles containing the term "Rana Plaza" was conducted in two major newspapers, *The Australian* and *The Sydney Morning Herald* representing different media market segments and political standpoints. For Germany, the content of two corresponding newspapers, *Frankfurter Allgemeine Zeitung* and the *Süddeutsche Zeitung* was analysed, also using the search term "Rana Plaza." We noted comments made about particular firms mentioned in the identified articles.

NGOs (10), unions (4), investors (4), industry associations (5), politicians (1) and consultants (4). Interviews with managers and experts were mainly undertaken in the period November 2013 to April 2014 (Australia) and October 2014 to March 2015 (Germany) when it was most likely that firms would have made supply chain-related decisions in the light of Rana Plaza. We obtained follow-up information in 2014-2015 on the five Australian firms that were interviewed first in order to assess whether any additional changes had been made.[5] The interviews were recorded using a digital device and then fully transcribed and analysed using coding software. Firm-level and industry-level archival data (e.g. annual reports, social reports) and insights from participation in several industry events were also drawn on to provide an accurate picture of lead firm responses.

As a first step in the analysis we aimed to identify broad patterns based on our five conjectures. Consequently, the data for each firm was coded and included in a matrix – essentially an elaboration of data included in Table 1 – that condensed the qualitative data into a manageable form. Based on this coding, we compared the number of types of change in labour standards policies for all firms, and then for firms sharing particular characteristics. Data analysis showed strong support for our conjectures concerning stakeholder pressure and national institutional differences, and moderate support for two of the three remaining conjectures relating to firm characteristics. The second part of our analysis seeks to understand the underlying dynamics leading to these outcomes. We applied the focusing event framework, analysing how actors used the opportunity structures provided by the Rana Plaza disaster to mobilize for changes in firms' labour standards policies in the two national contexts. We present the outcomes of this analysis in the form of two comparative vignettes.

Findings

[5] Only one of these firms (A-2) had changed its labour standards policies since our initial interviews. These changes were included in our analysis.

Table 2 shows considerable variation in responses to Rana Plaza among the 20 firms, ranging from four firms (two Australian, two German) who made no changes (score 0), to three firms (two Australian, one German) who made all three types of change (score 3). Contrary to our fifth conjecture, Australian firms (average change score 1.6, based on the sum of the scores for each firm divided by the total number of firms (n=20) responded with more policy changes following Rana Plaza than German firms (average change score 1.1), a finding we return to later in considering the importance of national institutional differences. In our sample, the most common types of change were changes in CSR policies relating to labour standards (13), signing the Accord (7), and changing supplier relations (7). In Australia, most firms changed their CSR policies (8), and supplier relations (5). Only a few Australian firms signed the Accord (3). Changes in CSR policies were the most common response among German companies (5), followed by signing the Accord (4) and changes in supplier relations (2).

INSERT TABLE 2 ABOUT HERE

We expected firms facing direct stakeholder pressure after Rana Plaza to respond with more policy changes. Our findings confirm this conjecture: of the 12 firms in our sample that faced direct external pressure, seven made at least two changes, although only one of the four targeted German firms acted similarly. This finding suggests cross-national differences in the way stakeholder pressure was applied to firms. In Australia, the role of NGOs especially, but also investors, was an important factor prompting firms to make changes in labour standards policies. A sourcing manager of a very large Australian general retailer (interview, A-6) explained the company’s decision to sign the Accord as follows: “the Accord was being spoken about by NGOs as the appropriate forum and vehicle for retailers to have a positive change in Bangladesh in the wake of the Rana Plaza collapse. So that was the [initiative] that we thought made sense for us to get involved with." A CSR manager of a similar sized general retailer (interview, A-2) which made two changes explained that: "we were responding to even more feedback from other investors that they wanted evidence that we understood the risk and we were managing it, and secondly from an NGO."

None of the six Australian firms in our sample that were reported in the mainstream media in relation to the Rana Plaza disaster had been sourcing from suppliers based in the Rana Plaza building, and indeed six of the eight Australian firms targeted by stakeholders sourced negligible quantities of garments from Bangladesh. For NGOs in Australia, the disaster nevertheless presented an opportunity to highlight a significant moral issue for garment brands and retailers that had so far avoided local media headlines. In contrast, only those German firms found to be sourcing from the Rana Plaza building were repeatedly reported in the German media. All these firms specialized in marketing low priced, less complex garments and had escaped NGO targeting in the past because their price-conscious consumer base allegedly cared little about labour standards. A German NGO interviewee commented: "Some of these firms have not yet paid into the compensation fund [Accord]… They think they can sit it out… It is frightening that they have not experienced declining sales." The one German firm in our sample that sourced from Rana Plaza was also the only German company that made all three types of policy changes, arguing that "(…) we have now at least caught up with the industy standard regarding sustainability" (interview, G-2).

Two German firms in our sample (G-1 and G-9) were requested to join the Accord by large retailers to whom they supplied garments. They agreed without making any other changes. The fourth targeted firm, an ethical firm not sourcing from Bangladesh, acceded to an approach by NGOs to sign the Accord for symbolic reasons, saying that "we wanted to introduce a positive note … because the German garment industry is very reactive regarding sustainability." (interview, G-10). Other firms said they faced no external pressure, but several decided to review their processes: "Are we really doing everything in Bangladesh to avoid being implicated? So that we are not rumoured to be doing something bad?" mused a representative from a large garment department store (interview, G-7).

Several German firms mentioned that they had changed their supply chain structures in response to previous disasters such as the Tazreen factory fire in 2012. With the exception of building standards, these firms claimed to have effective processes in place. On account of this weakness, Rana Plaza prompted action as one of the firm's managers explained: "Our systems that we have implemented in the past already cover many important issues. But we realized that we have a deficit in this area [building standards], which is why we decided to join the Accord" (interview, G-4). Unlike in Australia, investors did not play a strong role in Germany, where only six of the 22 largest retailers with an annual revenue of over €1 billion are publicly listed.

We expected larger firms, who are structurally more powerful vis-á-vis suppliers than their smaller counterparts, to respond with more changes in labour standards policies following Rana Plaza. At first sight, the evidence supports this conjecture: eight out of 10 very large/giant firms undertook two or more changes compared to one smaller sized firm, but this effect is stronger in Australia than in Germany. Acknowledging that size may attract stakeholder pressure, it is worth noting that all five of the giant/very large Australian firms were targeted by NGOs and the media. Additionally, all these firms are publicly owned, and four of them were pressured by investor representatives. In contrast, four out of the five giant/very large firms in our German sub-sample were not targeted by stakeholders and did not introduce changes above the average score for that country. None of these firms is publicly owned. Thus, size seems to matter in relation to actual stakeholder pressure, with all large Australian firms being pressured.

Size is also related to type of firm: the majority of the giant/very large firms in our sample are general retailers (seven out of 10). Contrary to expectations, general retailers responded with more policy changes to Rana Plaza than branded marketers and specialty retailers, despite these firms – particularly those in Australia – sourcing very small volumes from Bangladesh. Consistent with our expectations, none of three brand manufacturers changed their policies following Rana Plaza. Again, firm type may be related to stakeholder pressure, because none of the brand manufacturers were targeted, irrespective of variations in other characteristics. These firms apparently fly under activists' radar because they are thought to have high standards, which may or may not be the case.[6] However, with an average change score of two, German general retailers not targeted by stakeholders exceeded the overall average German and Australian sample scores. This reflects extreme sensitivity to the negative spillover effects of a focusing event on these firms' wider range of goods, particularly since, as in this case, the three companies source from Bangladesh. According to a manager from one of the untargeted German general retailers: "We want to work without agents. You can't do this 100%, but … this is very important to us, [it is] precisely because of Rana Plaza and the CSR strategy … that we line ourselves up here and control processes by ourselves and don't give things into a third party" (Interview, G-3). Firm type thus seems to matter independent of stakeholder pressure, at least in the case of general retailers. This observation is further corroborated by the fact that several large general retailers are among the German Accord signatories.

Our sourcing proximity conjecture receives partial empirical support. The nine firms in our sample that claimed to source an important share from Bangladesh made more changes than the overall German and Australian averages, and also more than the six firms that claimed to source an unimportant proportion. This compares with much fewer changes on

[6] None of these brand manufacturers is a member of a multi-stakeholder initiative. Since membership often indicates a commitment to stronger labour standards' policies (e.g. O'Rourke, 2006), these firms may simply benefit from their brand image as quality producers.

average (less than one) for the five firms that did not source from Bangladesh at the time of Rana Plaza. Again, there are important national differences: in Germany, five of the seven firms sourcing an important share from Bangladesh made no more than one type of change, whereas the two Australian firms that sourced similarly from Bangladesh each made three types of change. Conversely, Australian firms that sourced an unimportant share from Bangladesh responded relatively strongly (average score 1.6), identical to the Australian firm average and higher than the score for G-5 (1), the only German firm in our sample that reported sourcing an unimportant share from Bangladesh. Most of these Australian firms were targeted by stakeholders, which may explain this apparent anomaly and indicates again the importance of stakeholder pressure for triggering a stronger response.

In summary, we find partial support for four of our five conjectures. Contrary to conjecture five regarding national institutional arrangements, Australian firms responded much more vigorously to Rana Plaza than German firms. In support of conjecture one, this response can be related to stakeholder pressure, which was surprisingly stronger in Australia than in Germany. Firm size mattered mainly in relation to stakeholder pressure and so did sourcing proximity. We also find partial support for conjecture three regarding firm type. Contrary to our expectations, general retailers responded more vigorously to Rana Plaza than other types of firms, and – at least in Germany – this effect seemed to be independent of stakeholder pressure. However, in line with conjecture three, brand manufacturers did not respond to Rana Plaza – possibly because they received no stakeholder pressure. In the following section we go beyond firm-related, structural explanatory factors to understand how national-level political dynamics shaped these different responses by showing how two comparable sets of Australian and German lead firms constructed different problem definitions, were subjected to different forms of political agency, and adopted different policy responses to Rana Plaza.

Comparative Vignette #1: Giant Supermarkets/General Retailers

A-1 has stocked branded garments for many years, having started to market private label items (mainly basic garments) in 2010. At the time of Rana Plaza A-1 sourced from one Bangladeshi factory. Rana Plaza was perceived as a reputational problem. Reducing brand risk and improving ethical investment ratings were seen as solutions. In pursuit of these objectives, the company decided to re-affirm an earlier decision to cease sourcing from Bangladesh and to source from fewer countries, including selecting suppliers on a longer-term basis. A new supply chain transparency system was introduced in order to "go further down into the supply chain to understand the standards that are operating within them right back to the source." (A1 sourcing and quality manager).

Pressure from NGOs and their policies was the main reason for defining the problem as primarily one of defending the brand: "the heat's been turned up, not just for [A-1] but for everybody," particularly by Baptist World Aid, an NGO that campaigned for higher supply chain standards and for greater transparency, an objective which A-1 adopted. Investor pressure was also cited as a factor: "the insight we have is that making your factories available publicly boosts your [ethical] investor ratings, that's what it does because you've got more transparency", according to an A-1 ethical sourcing manager.

Like A-1, A-5 markets mainly private label garments. Its sustainability manager defined the company's response to Rana Plaza as a matter of brand protection: "the main objective of the policy … is to protect our brand. Our branding is very important to us. It's the brand we've put on all our stores and customers come trusting that brand. So what we don't want is anything negative to be associated with that which we can partly control to the extent that it's possible… If it's in the media that's the pain factor… It's the reputation risk."

The company responded in three ways: it signed the Accord because it saw a collaborative, multi-stakeholder mechanism as a necessity. According to A-5's sustainability manager: "There's literally no governance framework [in Bangladesh] – there's one on paper but it basically never works because it's not resourced… A situation like Bangladesh, there's not really one buying company can fix that so you have to all grow together to the same end…" The company rejected signing the Alliance because it lacked legitimacy "…the unions are going to criticise it. So having made the decision to be part of something for our local stakeholders it just wouldn't have worked." A-5's second change was the introduction of a new ethical sourcing policy including more frequent auditing of most Bangladesh factories supplying private label garments. Third, changes were made in A-5's supplier relations including replacing a policy of terminating non-compliant suppliers with working with suppliers to resolve problems and publishing the names and addresses of all garment and footwear suppliers, including those located in Bangladesh, on the firm's website.

These changes were viewed as brand protection in the face of NGO pressure. The focus was on minimizing suppliers' labour standards problems. This was to be achieved by keeping a stricter eye supplier compliance with A-5's company code and by collaborating more closely with suppliers. Greater supply chain transparency satisfied a principal NGO requirement and provided more opportunities for labour standards enforcement.

G-3 is a giant German supermarket that services the medium to low end of the garment market. Like A-1 and A-5, garments account for a small percentage of G-3's revenue. Its sourcing director spoke of a trend towards more direct sourcing relationships in the industry – not because of social standards, but "to see all aspects and work on improvements together with suppliers, to negotiate the right prices, because the money does not lie in the showrooms, but in the factories, and the aim is to identify aspects for improvements so that the buyer can source more cheaply and the supplier can benefit from these new advantages." This manager argued that Rana Plaza provided an additional incentive to reduce the number of agents and move towards more direct supplier relationships but, arguably, this was more a matter of process control associated with supply chain innovation and efficiency than one of limiting reputational damage.

G-3 also complemented its self-assessment audit system of supplier practices with regular site visits conducted by two staff members. The company did not sign the Accord because it preferred to retain unilateral control over supplier-related processes – despite a strong presence in Bangladesh. The two changes made following Rana Plaza appear to be less substantial than those implemented by G-3's Australian counterparts in that the firm did not join any multi-stakeholder initiative and did not improve its supply chain transparency. No pressure from external stakeholders was reported and the policy solutions sought were mainly geared towards extending the firm's unilateral control over Bangladeshi suppliers.

Comparative Vignette #2: Branded Marketers

A-9 markets quality speciality and basic fashion items. Bangladeshi factories accounted for 1% of the firm's garments. Prior to Rana Plaza, NGOs recognized A-9 for having relatively strong labour standards policies owing to the nature of its supplier code of conduct and its membership of a reputable multi-stakeholder initiative. Nevertheless, the incident posed problems for the firm: "you think about the Rana Plaza scenario and the sort of implications that could have on a business like ours would that have been one of our factories is not something to just easily dismiss from a risk point of view" (A-9 sourcing manager). In response the company made two changes: it signed the Accord after some delay and made changes to its sourcing policies including disclosing the locations of its Bangladeshi suppliers' factories.

These changes were motivated mainly by external pressure: NGOs organized a petition with several thousand signatures demanding that the firm join the Accord. This was widely reported in the media. The ensuing decision to become an Accord signatory had the advantage of facilitating inter-firm co-ordination. According to A-9's quality manager: "one of the underlying reasons for actually participating in the Fire and Safety Accord is the leverage that we can have partnering with other buyers who may source from the same factory … to actually drive some of the improvements that we want to make." A-9 managers also anticipated reduced risks to supply chain operations and brand reputation. Furthermore, joining the Accord did not preclude A-9 from making supply chain improvements as indicated above.

G-5 is a publicly owned firm that sells moderately-priced women's fashion garments, with only two Bangladeshi suppliers responsible for less than 10% of its sourcing volume. G-9 is privately owned and sells menswear in the medium to high price segment, sourcing about 14% of its garments from Bangladesh. Both firms are members of the multi-firm Business Social Compliance Initiative (BSCI) and were confident that their supplier structure did not require adjustments because of improvements made in the past. These firms did not view Rana Plaza as constituting a supply chain problem but rather a building safety problem which could be addressed either by extending internal control mechanisms to include this issue (G-5) or by joining the Accord (G-9). G-5 decided against signing the Accord because "our [Bangladeshi] suppliers are in a very good shape and it would not have been financially justifiable for us to join." However, this did not mean there was no concern regarding reputational damage. According to G-5's CSR manager: "I visited Bangladesh and closely examined everything and saw that we work with safe suppliers." This manager worked as a sole CSR representative reporting directly to the CEO and had a relatively weak standing within the organization, but was able to use the opportunity provided by Rana Plaza to enhance her influence by achieving a veto right on supplier selection decisions after this incident.

Two G-9 managers argued in favour of joining the Accord because "it allows us to check our suppliers on safety issues that the BSCI does not cover." They conceded that signing the Accord was initially a response to pressure from a large retailer who sourced from the company. The same manager implied that there was not any increased threat of reputational damage following Rana Plaza: “We already were active after the Tazreen factory fire [in 2012] and examined our most important supplier sites in Indonesia, Vietnam, China and Bangladesh through the Global Risk Consultants. Thus we knew [following Rana Plaza] that there wasn’t a heightened risk regarding our suppliers.”

These two sets of vignettes suggest that regardless of firm type the Australian firms had the problem that Rana Plaza generated virtually defined for them by NGO and to a lesser extent investor pressure. In essence, the Australian firms perceived that further reputational damage would follow unless they improved supplier-related labour standards. Accordingly, these firms chose to introduce more types of deeper forms of change than their German counterparts who were much less subject to NGO pressure and who viewed Rana Plaza as posing more of technical problem – ensuring building safety and improving supplier efficiency – than one of increased reputational risk.

Discussion and Conclusions

Our analysis of different structural factors influencing changes in lead firms’ labour standards policies indicates that stakeholder pressure shaped the ways in which firms responded to the Rana Plaza disaster, and that stakeholder pressure varied across national contexts. Only general retailers responded more vigorously to Rana Plaza than other types of firms at least partially independent of stakeholder pressure, a finding we attribute to particular reputational concerns arising for these types of firms: general retailers tended to exercise little oversight over the production process and hence perceived more potential reputational damage following Rana Plaza which could have negative spill-over effects into sales of other (non-garment) items. Consequently these firms responded more strongly with labour standards policy changes. This finding indicates that while generally retailers targeting cost-conscious customers would prefer weaker labour standards policies (Fransen & Burgoon, 2012), a focusing event has the potential to overcome the influence of specific structural factors on a firm's labour standards policies.

Extant scholarship agrees on the strong influence of societal pressure on lead firms' decisions to adopt particular forms of private labour regulation (e.g. Fransen & Burgoon, 2012; Marx, 2008). Our findings highlight that such pressure not only varies between different types of firms (cf. Bartley & Child, 2014) but also across national contexts. Specifically, in our sample the structural variables making particular firms more prone to social movement pressure identified by Bartley and Child (2014) did not hold in Germany, indicating that national institutions modify their assumptions based on US data. Generally, stakeholder pressure on firms was much weaker in Germany than in Australia. This finding is inconsistent with our conjecture, based on Fransen and Burgoon (2012), that firms embedded in a country with relatively advanced CSR institutions would face stronger normative pressure to uphold labour standards and hence would respond more vigorously to Rana Plaza. The focusing events framework offers an explanation for these findings.

According to focusing event theory and the broader literature on firms' responses to critical events (e.g. Bundy et al., 2013; Chandler, 2014), for a problem to be resolved in the public space it must gain policy salience and a policy must be agreed and implemented via a political process. Stakeholder pressure plays an important role in defining the problem and possible policy solutions (Birkland, 1998; Kingdon, 2003). In Germany, many brand marketers and manufacturers had revised their labour standards policies in the early 2000s in the light of NGO activism and the emerging EU CSR policy debate. German retail firms played a prominent role in establishing the BSCI in 2003, a European business-driven association intended to anticipate looming EU legislation (Hiss, 2009). Consequently, many

German garment retailers had already addressed labour standards issues prior to Rana Plaza – not necessarily systematically or in depth, but in a way that satisfied consumers and policy makers. The decision by NGOs and the media to restrict their efforts to firms found to be sourcing directly from Rana Plaza needs to be understood in this context, because some firms –particularly those practicing heavy discounting – had escaped this first wave of labour standards improvement, often even violating standards in their domestic retail stores. Only those treated Rana Plaza as a broader labour standards issue, whereas the majority of German firms considered Rana Plaza quite narrowly as a building safety problem, arguing that building safety issues were not yet addressed by the BSCI . Since the Accord intends to address exactly this problem, signing the Accord was often the sole policy response pursued by German firms.

In Australia, the longstanding protection of the local garment industry by trade barriers meant that lead firms came relatively late to offshoring production with suppliers' labour standards not viewed as a problem (Weller, 2007). NGO pressure for upholding standards was weak (Islam & Jain, 2013) especially compared to Germany. The Rana Plaza disaster provided the catalyst for NGO and media action, drawing investor and consumer attention to Australian lead firms' general neglect of suppliers' labour standards. NGOs were able to increase the salience and breadth of the problem by associating lead firm behaviour with labour exploitation, regardless of whether lead firms actually sourced from Bangladesh or not. The wider historical and national political economic context in which lead firms are embedded thus influenced the opportunity structures that emerged for NGOs campaigning for improved labour standards, including reactions from investors, thereby explaining why Australian firms on average responded more strongly to Rana Plaza and changed their labour standards' policies more extensively than German firms with similar structural characteristics. Thus, the problem salience of the Rana Plaza disaster for lead firms differed between

Australia and Germany owing to different political and historical dynamics, which led firms to seek different policy solutions.

Our findings support and extend the varieties of activism thesis (Bair & Palpacuer, 2012) in that national-level policy arenas were highly influential in shaping firms' responses to the Rana Plaza disaster, even in the light of a highly globalized industry and the strong role played by international unions and NGOs in the development of the Accord as a globally coordinated response (Reinecke & Donaghy, 2015). Our study highlights different historically embedded NGO and media strategies in the two countries, but also differences in the role played by investors, especially in publicly-owned firms in Australia. One explanation for the stronger direct NGO influence on firms in Australia might be the absence of a strong national-level policy arena in this industry. Conversely, German policy makers initiated the multi-stakeholder "Textile Alliance" ("Textilbündnis") in response to Rana Plaza, thus shifting policy responses towards a collective arena where, as it currently stands, firms represented by their business associations are negotiating with NGOs, unions and policy makers regarding stronger supply chain governance standards. The ongoing and highly contested nature of this process might explain German firms' comparative reluctance to make strong firm-level policy changes immediately in response to the Rana Plaza disaster.

Our analysis suggests that focusing event theory can be useful for understanding transnational regulatory problems such as the governance of global supply chains, and firm-level (private) policy making. Focusing event theory draws attention to the temporal dimension indicating that particular time-related contexts form a key part of explanations of policy changes that occur discontinuously. Furthermore, whereas the extant literature suggests that the impact of a focusing event is geographically bound and located within a particular (local or national) policy domain (Birkland, 1998; Kingdon, 2003), our study shows that its impact can be both very diffuse and variable. The contrast between Australian and German lead firms is instructive in regard to both the above observations.

With respect to the literature on global supply chain governance (e.g. Bair & Mahutga, 2012; Gereffi et al., 2005; Lakhani et al., 2013; Lane 2008; Lane & Probert, 2009), our findings suggest that while there may be structural sources of convergence in lead firm activities aimed at strengthening their direct supplier relationships to avoid reputational damage and increase efficiency, changes in supplier relations do not occur smoothly and similarly over time. While lead firms imply that more direct supplier relationships go hand in hand with better labour standards, such claims need to be examined empirically in further research.

Our study has several limitations which provide additional avenues for further research. In attempting to explain lead firms' labour standards policy changes, we were unable to analyse changes in policy implementation. This would have required much deeper firm access and a more ethnographic type of methodology conducted over a longer time period. Also, our data can only speak to immediate reactions to the Rana Plaza disaster and not to long-term dynamics, which may well bring about different results. Our study is restricted by focusing on lead firms. Beyond selected stakeholder interviews, we were unable to analyse stakeholders and their strategies in depth which would have been valuable to shed further light on the sources of national divergence in this regard. Following a qualitative logic, our study highlights ways in which extant theories can be refined. However, the statistical generalizability of our findings can only be assessed based on a much larger sample and using more systematic measures of, for example, the breadth, depth and content of policy change. However, quantitative information on firm-level policy changes is difficult to obtain – especially in countries like Germany where the majority of garment retailers and brands are privately owned and do not publish information about CSR policies and suppliers. The relatively diffuse picture of German firms' reaction in particular might be due to small sample size, but we were able to corroborate our findings through ongoing research efforts and careful analysis of industry-level developments beyond our sampled cases.

Arising from our research there are two key questions that future research might address. First, why do lead firms with similar characteristics respond in different ways to focusing events? An explanatory starting point might be to analyse the relationships between two forms of politics: those internal to the firm, that is, how managers responsible for CSR attempt to shape firm strategy, policy, resourcing and implementation; and those external to the firm, which refers mainly to NGO and media activism that varies across national contexts. Second, and most importantly: how do lead firms' policies and practices influence suppliers' practices and workers' labour conditions? Addressing this question would require an analysis of the complex relationships between lead firms and suppliers, including any intermediaries, together with a focus on supplier factory managers and policy implementation. This research would require detailed theoretical interrogation and empirical investigation of the concepts of market-based and relational ties drawn from the global supply chain literature (Gereffi et al., 2005) and examination of factory workers' attitudes and experiences, ultimately leading to an assessment of such policies (Anner, 2012).

Table 1: Characteristics of sampled firms in Australia and Germany, 2013-15

Country*[1] & Firm #	Owner-ship type	Size*[2]	Firm type*[3]	Sourcing proximity at time of Rana Plaza*[4]	Stakeholder pressure
A-1	Public	Giant	General retailer	Unimportant	NGOs/investors/media
A-2	Public	Very large	General retailer	Unimportant	NGOs/investors/media
A-3	Public	Medium	Speciality retailer	Not relevant	Consumers
A-4	Private	Small	Brand manufacturer	Unimportant	No
A-5	Public	Giant	General retailer	Important	NGOs/investors/media
A-6	Public	Very large	General retailer	Important	NGO/investors/media
A-7	Private	Very small	Brand marketer	Not relevant	No
A-8	Private	Large	Speciality retailer	Unimportant	NGO/media
A-9	Public	Very large	Brand marketer	Unimportant	NGOs/media
A-10	Private	Large	Speciality retailer	Not relevant	NGOs
G-1	Private	Very small	Brand marketer	Important	Large retailers
G-2	Private	Very large	General retailer	Important	NGOs/media
G-3	Private	Giant	General retailer	Important	No
G-4	Private	Giant	General retailer	Important	No
G-5	Public	Large	Brand marketer	Unimportant	No
G-6	Private	Very large	Brand manufacturer	Not relevant	No
G-7	Private	Very large	Speciality retailer	Important	No
G-8	Public	Medium	Brand manufacturer	Important	No
G-9	Private	Small	Brand marketer	Important	Large retailers
G-10	Private	Small	Brand marketer	Not relevant	NGOs

Source: Firm interviews. *[1] A = Australia; G= Germany. *[2]Classification based on Lane (2008). General (includes non-textile), worldwide annual turnover of firms classified as follows: very small, less than €50 million; small, €50–249 million; medium, €250-499 million; large, €500–999 million; very large, €1,000-2,999 million; giant, more than €3,000 million. *[3]Classification based on Gereffi (1999): *general retailer* (includes supermarkets and department stores); *garment retailer*; *brand marketer* ("manufacturers without factories"); *brand manufacturer* (owning at least some factories of their own); mixed categories usually involves on-line which means substantial online sales. *[4]"Not relevant" means no sourcing from Bangladesh; "important" and "unimportant" as stated by the lead firm.

Table 2. Matched comparisons of lead firms' responses to the Rana Plaza disaster

Firm	Number of types of changes	Signed Accord	Changes in corporate CSR policies relating to labour standards	Changes in number of suppliers[7] and supplier relations
General Retailers: Supermarkets				
A-1	2	No	Designed and implemented a new supply chain transparency system	Consolidated supply chain by sourcing from fewer countries; affirmed decision to discontinue sourcing from Bangladesh; seeking longer-term contracts with suppliers
A-5	3	Yes	Auditing increased to include most Bangladesh private label product suppliers' factories; formally reviewed ethical sourcing policy	Disclosed all garment factories in its global supply chain including Bangladesh; shifted focus from terminating suppliers with non-compliant factories to working with them to resolve problems
G-3	2	No	Implementation of self-conducted audits replacing previous self-reports by suppliers	New strategy to reduce working through agents and importers so as to increase control over factories
General Retailers: Discounters				
A-6	3	Yes	Conducted fire risk assessment of all Bangladesh factories; introduced zero tolerance policy for unauthorised subcontracting; conducted a risk profile of all supplier countries	Ended contracts with Bangladeshi suppliers whose factories were found to be unsafe
A-8	2	No	Audited compliance of remaining Bangladeshi suppliers' factories with new code of conduct	Bangladesh supplier base consolidated; shifted from mainly indirect to mainly direct sourcing in Bangladesh; some indirect sourcing for inventory reasons
G-2	3	Yes	Formal inclusion of four basic CSR standards in sourcing decisions and implementation of an auditing process	Increase in direct sourcing relationships via agents rather than via importers; formalized relationships with agents to clarify legal liability
General Retailers: Department stores				
A-2	2	No	Accelerated implementation of a stronger new code of conduct devised prior to RP in response to investor pressure; agreed appointment of a new CSR manager position to strengthen the function	New strategy, including training to improve branded supplier awareness and compliance with ethical sourcing policy
G-4	1	Yes (before RP)	Double-checked its Bangladeshi suppliers	-

[7] "Supplier" means "factory" unless otherwise indicated. E.g. German firms often refer to agents or importers as suppliers.

G-7	1	No	Double-checked all suppliers through BSCI because the family owner cares about reputational damage	-
Upmarket brand marketers and speciality retailers				
A-9	2	Yes	-	Commitment to transparency of Bangladeshi suppliers' factory locations; strengthened sourcing policies
A-10	1	No	Requiring suppliers to provide more evidence of factory compliance with firm's sourcing policies	-
G-5	1	No	Visits to the two suppliers in Bangladesh and subsequently implementing a veto right on sourcing decisions for the CSR department	-
G-9	1	Yes	-	-
Brand marketers specializing in travel and hiking garments				
A-3	1	No	Changed communication practices to engage more with external stakeholders and the media about sourcing practices	-
G-1	1	Yes	-	-
Brand manufacturers				
A-4	0	No	-	-
G-6	0	No	-	-
G-8	0	No	-	-
Brand marketers with strong ethical image				
A-7	0	No	-	-
G-10	1	Yes	-	-

Source: Firm interviews; firm sourcing policy documents and websites

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