

*The Case of Rana Plaza: A precedent or the severe reality?*<sup>1</sup>

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**Abstract**

This paper discusses supply chain responsibilities in the case of the Rana Plaza disaster. In 2013 the Rana Plaza factory in Bangladesh collapsed, killing more than 1000 workers. They were garment workers for outsourced operations from well known Western fashion brands. A huge debate emerged around duties in outsourcing and offshoring operations. This paper first analyses some of the arguments accusing the fashion brands of conducting business in an irresponsible way. It then analyses the responses from these brands with regard to the allegations, and their subsequent policy changes. The analyses are informed by ethical theories and Ruggie's work on due diligence in supply chain responsibilities.

**Key words:** business ethics, due diligence, Ruggie, supply chain responsibilities, Rana Plaza, globalisation

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## **Introduction**

Bangladesh has long been known as a cheap outsourcing destination, often used as part of the global supply chains of many Western clothing companies. Nowadays, the country gains almost 80 per cent of its export earnings from the clothing factories there (Jacob 2012). There are severe examples of disasters, which prove the situation is puzzling. Undoubtedly, the collapse of the Rana Plaza factory in 2013 killing more than 1000 workers affected not only the local community, but also the whole world – including top clothing brands, their employees and customers. It brought about serious discussions and questioned the business ethics of various well-known apparel organisations such as Primark, H&M, Zara, GAP, Benetton. The thousands of workers, who faced their death in April, were victims of bad operations management of key supplier companies. It is now well known that many of the garment factories in Bangladesh are housed in illegal buildings with poor conditions (Allchin & Kazmin 2013). Apparently, Bangladeshi workers are risking their lives every day for an insufficient wage and poor standard of living. And although the big garment brands, who outsource to Bangladesh, have gained huge profits in the last 20 years, they turned a blind eye to safety standards and failed to show respect for the workers. The case itself left a lot of questions unanswered. It is still not clear why the factory building had 8 storeys instead of planned 5, why the workers are still getting the lowest wages in the world, and why child labour is still rampant.

In this paper, the Rana Plaza disaster is approached from a 'due diligence' perspective. The main question is whether the companies behind the high street fashion brands are doing enough to ensure their business partners act ethically. Supply chain responsibilities have become an important issue and the demand for a more diligent attitude is growing. After the Rana Plaza disaster NGOs have been involved in various campaigns to defend human rights in business. In return, the CEOs of the big brands are pushed to step up their efforts. Therefore, this paper discusses the ethical arguments at both sides of the coin - in critique of the big brands as well as in their defence. For the sake of the analysis, the main focus is on Primark, but it is also briefly compared with other companies.

The paper is structured as follows. The next section focuses on the increased importance of due diligence in supply chain responsibilities. The subsequent two sections use ethical theories to analyse respectively claims against corporations, and the corporations' answers to those claims and demands.

## **Due diligence and supply chain responsibilities**

Originally, due diligence denotes the process of monitoring and reviewing actions and management of potential investee or acquisition companies. The aim is to identify those that are worth to be invested in, and monitor whether they are complying with the investors' interests (Brown *et al.* 2008 cited in Clauss *et al.* 2009). In other words, large corporations would normally be interested in finding out in advance whether they are doing the right thing when investing in a certain company or outsourcing to a factory. One could easily distinguish between operational and financial due diligence, but it is in all cases identified to be the 'best practice' which companies could and should do. Barnidge (2006) suggests it could also be used to interpret particular facts and circumstances in order to hold companies responsible for their wrongdoings.

All companies have self-interest in ensuring the effectiveness of their supply chains. Keeping in mind that many of them have global supply chains, it becomes obvious that this task can get very complex. However, failing to keep responsibilities towards each supplier is a clear sign that something is going wrong along the chain. Coordination is necessary at all times, and therefore, key to being successful in the long-term is acquiring industry's best practices in terms of due diligence. In terms of supply chain responsibilities, due diligence implies answering the question whether one has done enough to make sure a business partner acts responsibly. The Rana Plaza disaster brought this question to the fore, and has shown that answering it is not that easy.

## **Analysis of the allegations**

There are many non-governmental organisations (NGO) united under the common cause of reducing the disasters in the garment industry in Bangladesh and to support the workers in their battle for increased wages. These NGO campaigns are supported by associations such as UNICEF, ILO, and ITUC, as the major ethical issues in the Bangladeshi garment sector revolve around child labour, working conditions, and pay. The various arguments from the campaigns culminate in the claim that the big clothing companies have not done enough in terms of supply chain responsibilities.

Some of the raised arguments are being observed from a consequentialist point of view. Consequentialists judge whether an act is right or wrong by two basic principles. First, they observe the outcomes a particular action has, and second they expect the greatest amount of good to be achieved for the greatest amount of people in any case. Hence, a consequentialist acts to maximise the overall good outcomes and minimize the harm (Hartman & DesJardins 2011). Considering this, one could argue that the big fashion brands failed to complete a simple cost-benefit analysis in

relation to their stakeholders. Apparently, they did not take into account the consequences of their laissez-faire attitude towards their suppliers. Undoubtedly, the health and safety issues existed long before the Rana Plaza collapse. It has never been a secret that Bangladesh's garment factory workers are extremely poor, and that accidents happen on a daily basis (BBC News 2013).

Hence, the facts suggest they were indifferent about the amount of potential harm their omission of due diligence was causing the supplier workers and their relatives. Therefore, Primark as well as other companies, failed to act proactively to improve the working conditions at their suppliers' factories. Thus, the company took advantage of the workers in one of the poorest countries in the world, and ensured only its own financial status was served. Primark failed to maximise the greatest amount of good for the greatest amount of stakeholders.

Would deontologists conclude differently? According to this duty-based approach, everyone is obliged to do the right thing, regardless of the consequences. Deontologists only see actions as ethical if these have the potential to become a universal law (Fisher *et al.* 2013). Stanwick and Stanwick (2014) suggest that there are legal laws and social norms that every human being must know and follow in order to be part of a society. Primark itself subscribes to such universal norms. For instance, the Primark Ethical Guidelines (2011) explain that the company will not tolerate forced, bonded or involuntary prison labour and unsafe or unhygienic working environments. It also states that child labour should not be used. Despite the fact that all these norms are clearly stated, Primark did not succeed in maintaining these throughout their supply chain.

Furthermore, Kantian ethics (1785), which set the basic principles for duty-based theories, suggests that in order to be morally right, ethical decisions should be based on one's common sense. In other words, one must be able to distinguish between right and wrong by his/her own moral values and beliefs, rather than be driven merely by legal rules. It is hard to imagine that anyone would be happy with a living wage of \$66 a month, or working on a 19-hour shift (Bilton 2013). Moreover, it is highly unlikely that anyone is willingly suffering on a daily basis. This belief casts further doubt on the ethics of Primark and others who outsource to Bangladesh. Although Marchant - Primark's CEO - was one of the first to apologise for the incident and claimed to be shocked (Kazmin & Allchin 2013), he did not do much before Rana Plaza to avoid such a disaster. His decision to rely on Bangladeshi suppliers' factories that use child labour, provide low wages and poor conditions, is definitely not one that has the strength to become a universal law.

There is not much evidence on whether he knew what was going on, but there are really only two possible scenarios, it seems to me. First, he knew what was happening there, but took the risk in order to maximize Primark's profits. Second, he was not aware of the issues in the factory but clearly did not bother to monitor the suppliers. So he either knew but didn't bother, or he didn't bother to

know. Both scenarios suggest that he breached the universal and legal laws by showing extreme negligence. A better decision-making from a deontological point of view would have considered these workers' aspirations, dreams and rights to live happily.

The ethical issues here could also be perceived from a virtue ethics perspective. This is not a system of rules, but a set of personal characteristics (Fisher *et al.* 2013). Virtue ethics focuses on the character of the actor rather than the action itself. Aristotle was among the first who suggested that the end of life is happiness and one could only get there if one becomes a virtuous person. It is very difficult to define virtues nowadays, but we can recognise them after a careful observation of one's actions (Boatright 2009). To call someone virtuous, it is essential that virtues are observed in that person's common practice. Undoubtedly, there would be certain differences in applying virtue ethics to individuals compared to organisations. For instance, virtuosity in business would be achieved if everyone's happy life was ensured by the company, and wealth creation itself was not a goal (Solomon 1992). In other words, a virtuous organisation has to create a sense of care, positive recognition, sense of achievement, and living well among its employees.

Primark did not demonstrate respect for its suppliers' employees, and neither did it care for their health or safety. Rather, the company proved to be very profit-oriented. While struggling to minimize its own costs in order to provide £2 T-shirts, it forgot about its main source of production. Although the company is now trying to fulfil its due diligence by joining various supply chain related initiatives, this does not prove it to be virtuous. As mentioned above, virtuosity only exists as part of a regular practice, rather than a reactive consequence. Moreover, it is hard to perceive Marchant as a man of justice, as he did not carry out the necessary due diligence. In a world of uncertainty, increasing population, and low literacy rate, one who permits 5-year-olds to work and die on a daily basis, is not a person of integrity. It certainly cannot be claimed that Primark has done enough and there is nothing to admire about the company's wrongdoings. Unfortunately, Primark is not the only company which puts profits before people and proves itself to be selfish, unfair and unappreciative, rather than virtuous.

### **Analysis of responses to the allegations**

After the Rana Plaza disaster in April 2013, Primark was forced to respond quickly; its reputation was at stake. The pressure put on the company to prove it is now operating with due diligence changed the way it carries out its supply chain responsibilities. According to Balch (2013), companies have an ethical responsibility to solve problems whenever they find them. Ruggie's (2010) framework for human rights in business transactions prescribes that when there is a

wrongdoing detected within suppliers' facilities, part of the corporate social responsibility of a company is to determine whether a supplier entity is crucial. If it is not crucial, then the company might as well use the service of another supplier. If that particular supplier is crucial, the company should seek to increase leverage, meaning it should seek ways to influence the supplier to improve the ethicality of their operations.

The implication is that it doesn't matter whether 2% of 50% of production are being supplied by a problematic supplier; the outsourcing company must find ways to improve the working situation at that supplier if they cannot find another supplier. No doubt Primark identifies its Bangladeshi suppliers as a key part of their supply chain, because they are trying to improve working conditions there. The following paragraphs serve to demonstrate ways in which Primark understands that it needs to do more and is starting to break the silence on supplier misery.

First, in a consequentialist line of thought, it could be suggested that by including Bangladeshi workers to be part of their supply chain, Primark actually plays a vital role in Bangladesh's economic growth. The country gains \$21 billion yearly from the garment industry and assists the country's steady annual GDP growth of 5-7%. Moreover, Primark provides women an opportunity to develop and be more independent. According to their figures 85% of people working in the garment factories are female (Primark Ethical Trading 2013). By giving jobs to these people, Primark also assists in decreasing the poverty rate. Figures from 2002 indicate that 49.8% of the Bangladesh's population was living below the national poverty line. According to a survey conducted by the ILO, in 2001 there were 4.9 million working children there between 5-17 years (ILO 2009). Although the Asia Pacific region still has the largest numbers of poor people, that number has significantly declined during the past ten years.

Undoubtedly, if Primark decides to outsource somewhere else, the amount of harm for Bangladesh would be significant and arguably greater than the good it causes. Those, who are now working in the factories, would become unemployed and might starve to death, if they would not provide products for another clothing brand but under the same conditions. Hence, being among Primark's main suppliers gives these workers the opportunity to work, provide for their families, and develop. In other words, there is no doubt that Primark causes more happiness than harm for Bangladesh.

Moreover, judged from a deontological perspective, Primark is trying to improve too. Right after the Rana Plaza disaster they implemented a policy change and are now assessing the structural integrity of factories. Butler (2013) comments that Primark was among the first companies to take the initiative to make Bangladeshi factories more sustainable workplaces. Perhaps one of the most significant steps that Primark took was to join the Accord on Fire and Building Safety. It was one of

the 100 international retailers, trade unions and NGOs who signed the agreement to ensure sustainable improvements in Bangladesh (Bangladesh Accord 2013).

Compared to others linked to the Rana Plaza disaster, Primark was one of the few who did that, together with H&M and M&S. Others, such as the US chains GAP and Walmart did not join. Also, when further investigations showed that other Bangladeshi factories were at risk of collapsing, Primark terminated their orders there. Primark now claims that every facility currently used by them or their suppliers is checked and well-run, which suggests that it is doing more than other companies. Thus, it can be argued that Primark is now doing the right thing by carrying out its supply chain responsibilities with due diligence, regardless of the consequences.

Furthermore, Primark also scores some points from a virtue ethics perspective. Compared to others, such as Mango, Primark managed to respond much more quickly and accurately to the disaster. Mango refused to admit that its suppliers were working at the Rana Plaza building. The proactive decision of Primark to take responsibility and start acting towards solving the problem proved it to be a company with strong focus on workers. The company provided emergency food aid and financial support for both victims and their relatives (Primark 2013). Thus, the company ensured that it is seen as a helpful, caring organisation willing to engage and prevent future incidents. We can also recognise virtue when Primark supported not only the workers linked to their own supplier, but also those of their competitors. This suggests that Primark is dedicated to help, care, and ensure others' well-being and turn that into a common practice. Furthermore, the organisation is now working towards getting their suppliers to pay the workers a living wage and aims to achieve a healthier working environment (Siegle 2013).

In Ruggie's terms, Primark has sought and found leverage. The fact that it is now considering a long-term compensation scheme suggests Primark's engagement in a development process. In the past 9 months, it proved itself to be a caring and fair company, and thus is arguably 'en route' to incorporating virtuosity as a common practice.

## **Conclusion**

Although there are many garment companies and fashion brands that have been accused of poor supply chain responsibilities, this paper explored Primark's responsibilities and response with regard to the Rana Plaza disaster, as a case of due diligence in supply chains. Ethical theories have been used to provide arguments from both sides of the coin. Rather than letting the analysis rest in relativism, I believe that on balance Primark shows itself as an organisation that is continuously learning from its past mistakes, and is now developing new strategies to ensure the well-being at

every cog in its supply chain. Undoubtedly, Primark understands that sustainability and high performance are tightly linked. It is positive that many companies are currently expanding the nature and scope of their due diligence in issues related to corporate social responsibility.

Nevertheless, in our profit-oriented society too often human lives are seen as just an obstacle to others' success and happiness. Therefore, if the big brands want to stay as successful as they are, they still have a long way to go until they truly ensure sustainability in their supply chains. Hopefully, the Rana Plaza disaster and the many responses can become a historical milestone in the process of improving the working conditions for all workers everywhere and put an end to this modern-day slavery.

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