

# “Fashionline: CSR case of a UK fashion retailer”

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## SECTION 2. Management in firms and organizations

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### Fashionline: CSR case of a UK fashion retailer

#### Abstract

This paper presents findings from a corporate social responsibility (CSR) case-study of a UK fashion retailer informed through 22 multi-level internal and 5 external semi-structured interviews. Our research explores the relationship between various stakeholders and their perceptions of CSR issues. Sixteen themes emerge. We find disparity in CSR perceptions at different levels of organization and in views of consumers. Our recommendations are that the UK fashion retailer needs to – better understand normative purpose of CSR and in doing so balance social and environmental factors more equally; engage more widely at an early stage with broader stakeholders (global supply chain; consumers, employees, local populations, regulators, industry players); and better communicate (at different levels internally) along with integrate (external policy makers and with industry) design and implementation of CSR strategies. The authors conclude a gap remains for better CSR frameworks for the UK fashion retailer.

**Keywords:** UK, fashion retailer, CSR, organization, institution, emerging market.

**JEL Classification:** D21, L22, M14, P10.

#### Introduction

Beyond the Industrial Revolution (Carroll et al., 2013) and at a time of the new King George VI and prime minister Neville Chamberlin within Anglo-Saxon capitalism, Coase's seminal work (1937) identifies the firm's heterogeneity and boundary to explain *why the economy is not run as one big factory* (Coase, 1991). In the UK, what was previously direct monarchist rule and monopolistic merchant trade (Chartered East India Company 1600) had transformed to elected national government and modern competitive corporations (Drucker, 1972; Porter, 2009).

Great Britain followed an increasingly American influenced form of *laissez-faire*<sup>1</sup> political-economic<sup>2</sup> approach after World War II. This had been underpinned by a growing patronage of expanding free-market think-tanks (Institute of Economic Affairs, 1955; Centre for Policy Studies, 1974; Adam Smith Institute, 1977) which encouraged the rise of neo-liberal finance (Knyght et al., 2011) and mass consumerism (Toffler, 1980). In 1970, Milton Friedman famously quotes himself from his own book "Capitalism and Freedom": *'There is one and only one social responsibility of business – to use it(s) resources and engage in activities designed to increase its profits so long as it stays within the rules of the game'* (Freidman, 1970).

However, the 'rules' of this game demand an open, free society with non-coercive voluntary co-operation and competition without deception or fraud. Friedman (1970) further claims that market mechanisms are the only way to determine the allocation of scarce resources, denying any limitation to or failure of markets, or use for political mechanisms to intervene in allocation. In practice pollution control, social welfare, work place safety and bank bail outs are all political allocations of resources, ones which free market mechanisms would oppose. For Freidman, the government's role is to prevent coercion and harm to others through defining the rules (legislation). This requires individuals themselves to take fuller responsibilities, and simplifies justification of externalities<sup>3</sup> from principled moral values to transactional social costs.

Systemically underpinning this is the political mechanism in the US and the UK that is based upon a 'majority vote wins' democratic system. In reality, political voting participation has declined in the UK from 83 per cent in 1950 to 65 per cent in 2010 (Political Info, 2014) which has eroded individual freedoms (Balarin, 2011) and is against the rules. Further is the issue that in Freidman's ideal scenario, the corporation is an artificial entity within a completely free-enterprise system that remains under conditions of market unanimity and political conformity.

In reality, both the US and UK are liberal mixed economies with a State presence supporting economic activity (Hall and Soskice, 2001). Institutions are social entities (Nutzinger, 1976) that consist of shared responsible individuals influenced by collusive political mechanisms (stakeholder groups) and personal moral sentiment (Smith, 1759)

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<sup>1</sup> French phrase, see P.S. de PoisGuilbert (1646-1714) – proclaimed by French physiocrats literature popularised in England by John Stuart Mills (1773-1836) – Age of Enlightenment influenced American Declaration of Independence and US Constitution – country variations followed.

<sup>2</sup> Political-economy used here as original moral-philosophical term.

<sup>3</sup> Pollution, welfare, defence, bank bail outs, NHS.....government interventions.

that enables the wealth of nations (Smith, 1776). Nevertheless, the UK is more often these days recognised as highly liberalized (Khan and Kakabadse, 2014) and a more secular society (BBC, 2014). Much of the once national government owned and regulated welfare social responsibilities such as education, health and pensions, have transferred to the discretion of private individual entities (Crane et al., 2008). Consequently, it is more often organizational boards' judgements and their self-regulated voluntary actions<sup>1</sup> that determine *what constitutes the social responsibilities of the business*.

Large British businesses have been hastily addressing this question within the notion of Corporate Social Responsibility<sup>2</sup> (CSR). Today, this explicitly impacts business-government relations as a diluted use of power by the UK government for the 'common good' (Mostovicz et al., 2011); society-government relations as low trust in politicians by the British public (Edelman, 2013); and society-business relations where the dominant FTSE corporate elites (Vitali et al., 2011) are allowed to become economically stronger, forcing a widening gap between the 'haves' and the 'have nots' (Plunkett et al., 2014). In terms of CSR social-scientific intellect, within firms, the business response dominates and is a practically adopted strategic position in the context of a less interventionist government role. This leaves British citizen stakeholders (Bhattacharya and Sen, 2004) on the periphery of a complex dynamic in which the contrasting ideological values of a free-market (Mont-Perelin Society, 1947) and a public state (Fabian Society, 1884) are constantly intertwined in determining *the unique traditions and tolerances of British values*.

More than seventy five years after Coase's question, Moon (2014) reaffirms that businesses operate in society and both need to be understood together (McKelvey, 1997; Garriga and Melé, 2004; Bondy and Starkey, 2014). The institutionalization of CSR (Bondy et al., 2012) is unique to the firm in each national business system (Matten and Moon, 2008). Moon (2014) asks the following: How is the management of this relationship with society? To what extent is the business already accountable? How is the business compensating for its own negative impacts and for other's negative impacts? Is it contributing to societal welfare? As a result, does the business adopt a holistic understanding of CSR relevant to today's co-evolving local/global society when it claims to operate ethically and

responsibly in a sustainable way? To overcome the array of contested differences (Davis, 1973; Carroll, 1991; Matten and Moon, 2004; Banerjee, 2007; Crane et al., 2008; Dalhsrud, 2008) and lack of universally agreed scholarly definition (Whitehouse, 2003; Frankental, 2001), we need to question each firm's unique strategic actions relevant to market conditions (Moon, 2014).

## 1. Corporate social responsibility

Commentators on business and society have for decades been expressing concern that businesses exercise too much power over and have little responsibility to society (Kakabadse et al., 2005; Rasche et al., 2013). This suggests that the earlier scholarly normative concerns of Social Responsibility (Barnard, 1938; Bowen, 1953) only epistemologically translated into the more widely promoted distinctive instrumental categorizations<sup>3</sup> (Carroll, 1979; Sethi, 1975). Since the rise of corporate internationalization (Treadgold, 1988), attempts have been made to re-integrate modelling of business in society as social performance (Wood, 1991; McWilliams and Seigel, 2001). In today's most developed societies, the technically more advanced CSR modelling bundles the different stakeholder perspectives (Freeman, 2010) into multi-level commonalities (Aguillera et al., 2007) represented as institutional norms, networks and cultures that seek to give broader applicable meaning to CSR (Moon, 2014). Over time, the extant literature has readily accepted divergent discretionary performance without fully appreciating CSR's collective normative purpose between business and society (Kakabadse and Kakabadse, 2007). Further, businesses operate in society and they need to afford a greater public respect (Meynhardt, 2012) which will enable better shared understanding and sustainability of them together (Pedersen, 2010).

As a modern theoretical construct (O. Riordan and Fairbass, 2008; Carroll, 1999), CSR is a form of self-regulation by firms (Drucker, 1984) to take holistic responsibility of their actions and activities, which goes beyond just economic (Veblen, 1899; Friedman, 1962) to include social (Davis, 1967) and environmental (Lyon and Maxwell, 2008; Portney, 2008) factors. Pertinent to CSR decision making is that all these factors are equally valid and necessary (Bondy et al., 2012). Importantly, our understanding of CSR definition is distinct to the narrower business case which considers the effects of social and environmental factors on financial performance (Friedman, 1970). This, in turn, predicates a business perception to the role of the state and society in their discretionary behaviors.

<sup>1</sup> Normally those actions are above and beyond meeting the imposed via legislation and regulated requirements.

<sup>2</sup> Often broadly referred to as including social, economic and environmental factors (Elkington, 1997).

<sup>3</sup> Economic, legal, ethical and philanthropic.

Most recently, environmental impact has grown as a CSR ‘sustainability’ priority. Critically, this issue is highly dependent upon international collaboration (Rio summit, 1992). So far, the various global (WBCSD, Vision 2050), regional (EU ETS third phase, 2020) and national (FTSE4Good Index, 2001) initiatives and their KPI measures are struggling to properly integrate social (Nutting, 1976) and environmental (Dahlsrud, 2008) concerns. The most recent IPCC report<sup>1</sup> (2014) on climate change highlights catastrophic impacts of continued fossil fuel reliance and calls for an immediate shift to renewable energies. Half of the projected global GDP for 2050 (\$63Tn) is at risk due to flooding, droughts, food security, environmental disasters and indirect conflicts (UNTrucost<sup>2</sup>, 2011). In simplest terms, the cost of social and environmental inaction is beyond the economic profits that firms are generating. Yet, despite civil protests, the Canadian government has approved the Northern Gateway Oil Pipeline (Austen, 2014) exemplifying preference for continued fossil fuel reliance rather than shifting to renewable energy sources.

Where governmental power and sovereignty come under threat, mandatory CSR gives way to voluntary CSR and the citizen/consumer’s ‘political function’ has to shift to more direct engagement with the business organization (Capriotti and Moreno, 2009). In this regard, multi-national corporations (MNCs) with transnational boundaries become the powerful change agent (Kakabadse and Kakabadse, 2001). This has recently given rise to emerging notions of citizenship (Pérez-Díaz, 1998; Warleigh, 2000; Power, 2010) and the influence of social movements through social-media networks (Whelan et al., 2013) as countervailing balance to the corporation as a political actor (Matten and Moon, 2013). Matten and Crane (2005) suggest that in the course of this development some business firms have even begun to assume a state-like role. They argue that many companies fulfill the functions of protecting, enabling and implementing citizenship rights, which companies have originally considered the sole responsibility of the state and its agencies (Marshall, 1965). Some authors conclude that business firms have become important political actors in the global society (Matten and Crane, 2005; Scherer et al., 2006; Detomasi, 2007; Scherer and Palazzo, 2007; Boddewyn and Lundan, 2010). Thus, firms are perceiving corporate actions as corporate citizenship (Walker et al., 2012). In this context, our attention focuses on how the stakeholders perceive large firms’ discretionary integrated CSR strategies which is an under researched area (Bondy and Starkey, 2014).

## 2. UK retail sector

Today, the UK is a globally interconnected, technologically advanced and low corporate tax society (HM Treasury and Gauke, 2010) that makes it an internationally preferred location for corporations. In particular, the UK has the largest international retail market<sup>3</sup> (Thompson, 2012) which accounts for £300bn sales and more than 10 per cent national employment (IDG, 2013<sup>4</sup>). In this sector, the country is an innovation leader accounting for 11 per cent of global internet retail sales. British retail brands enjoy global recognition and the UK has the highest spend per head for e-commerce of any country (UKTI, 2014<sup>5</sup>). Retailing is today part of the expanding service sector (Office of National Statistics, 2013) which has dominated British industry and contributed to government revenue for many years.

When Bowen (1953, p. 6) was asserting ‘*the responsibilities of businessmen is to pursue actions that are desirable...in terms of objectives and values of society*’, the Co-operative movement, based on the Rochdale Principles of 1844, dominated the UK’s retail landscape (Jefferys, 1954). This is in contrast to the present, where private sector firms dominate British retailing (Burt et al., 2010).

The fashion-clothing marketplace is highly competitive and has become ‘here today, gone tomorrow’, fostering a culture of ‘*fast fashion*’ (Birtwistle et al., 2003; Sydney, 2008) and ‘*refreshed offerings*’ (Tokatli et al., 2008) that demand low cost, flexible design, quality and speed to market (Bhardwaj and Fairhurst, 2010). This increases the pressure on outsourced supply chains (Fernie and Perry, 2011; Perry and Towers, 2013) to meet both buyer demands (Tyler et al., 2006; Taplin, 2014) and instant consumer gratification (Lorange and Rembiszewski, 2014). Seasonal changes are more regular (Birtwistle and Shearer, 2001) and informed consumers (Hoffman, 2007) are more price conscious (Generation Y). The presence of international retailers in the UK (Alexander, 1990) has added to domestic retailers’ operational efficiencies (Yu et al., 2014) where many retailers have adopted their own label brands (McColl and Moore, 2011) to overcome some of these efficiency challenges.

Following the US led 2008 financial crisis (van Essen et al., 2013), successive central governments in the UK have adopted interventionist policies

<sup>3</sup> The greatest number of foreign retailers having a presence in the national marketplace.

<sup>4</sup> <http://www.igd.com/our-expertise/Retail/retail-outlook/3371/UK-Grocery-Retailing/>.

<sup>5</sup> <https://www.gov.uk/government/publications/uk-retail-industry-international-action-plan/uk-retail-industry-international-action-plan>.

<sup>1</sup> <http://www.ipcc.ch/report/ar5/wg2/>.

<sup>2</sup> [http://www.unepfi.org/fileadmin/documents/universal\\_ownership\\_full.pdf](http://www.unepfi.org/fileadmin/documents/universal_ownership_full.pdf).

during the recent recession (Keynes, 1936). The vote on Scottish Independence will take place on 18 September 2014 (Cowling, 2014) and the 56th UK General Election in 2015 will determine critical governance pathways for European Union membership (BBC, 2014). Businesses are emerging out of an austerity climate where the national economy is growing once again during 2014. Controversially, RFID innovation (Buckel and Thiesse, 2014), Big data and sustainability of supply chain (Turker and Altuntas, 2014) is the business mantra to befriend the power of consumer interest (Bhattacharya and Sen, 2004) as demonstrable social responsibility. However, in the marketplace, the new breed of consumer is fiercely individualistic, technologically engaged and wants a greater say in personalising the final product to their wants (Lorange and Rembiszewski, 2014). In a more CSR conscious society, businesses are engaging, whilst adapting to shifts in governance mechanisms as part of a wider international agenda.

CSR for sustainable development is the board level priority (Kakabadse et al., 2009) of the responsible fashion retail business (Arrigo, 2013; Dach and Allmendinger, 2014; Renaldi and Testa, 2014). International comparative corporate governance research indicates that UK CSR governance mechanisms are unique (Aguilera et al., 2006) and UK firms have higher rates of stakeholder engagement and social reporting (Williams and Aguilera, 2006). UK retailers such as M&S, Next and Tesco, have been integrating CSR into business activities in the belief that this is in the interest of stakeholders (Freeman, 2010) and consistent with enhanced firm value (Jones et al., 2005). However, within organizations, there has been long term growing inequality between executive and employee pay (Pryce et al., 2011) underpinned by lower shareholder value (Cooper et al., 2013). As such, UK organizational leadership behavior is under increasing scrutiny (Kakabadse and Van den Berghe, 2013) where the voluntary adoption of CSR (Carroll, 1991) is open to narrower interpretations of expectations and trust by stakeholders such as governments, NGOs, regulatory bodies, lobby groups and consumers.

Philanthropy is one CSR category that has historically been associated with manufacturing industries in the UK for the local communities that worked in owner managed factories. Today, this translates to the more dominant and far reaching service sector. The top UK 600 companies contributed £762m to philanthropic causes in 2009/10 (Lillya, 2012). After the 2008 Global Financial Crisis there has been increasing diversity between industries (Hill, 2011). In 2010, 53 per cent of UK companies have given less cash donations compared with 2007, whilst others have

increased contribution (Murphy, 2011). The motivation for Corporate Charitable Investments has shifted towards utility maximization left to managerial discretion (Campbell et al., 2002). As such, the *Directory of Social Change* (Lillya, 2011) is concerned that reporting of charitable contributions lacks transparency, as companies increasingly emphasize gifts in kind and publicity over actual value and cash contributions.

Most recently, Meynhardt (2012) proposed a 'public value scorecard' as early stage engagement for the firm with stakeholders based on basic needs and values. Meynhardt (2012) asserts that public value bridges the subjective unknown gap in knowledge within complex environments. As a result, values can close the gap where we identify inconsistencies between firm value and environment (government regulation/market initiatives/societal concerns).

### 3. Methodology for a fashionline case study

We present findings of an exploratory single CSR case study (Yin, 1994; Lincoln and Guba, 1985) of a large, private, family owned clothing and home ware retailer with a UK origin and headquarter. We will refer to this firm as *Fashionline*<sup>1</sup>. In this study, we adopted a subjective interpretative approach (Heidegger, 1927; Berger and Luckmann, 1967). We used semi-structured interviews to collect data (Keats, 2000; Patton, 2005). The key informants are:

Table 1. Selected Fashionline CSR sample groups

Interview sample	Category	Number of interviewees	Type of interview
CSR head	CSRH	1	E-mail
Senior management	SM	1	Telephone
Middle management	MM	2	In person
Employees	E	18	In person
Customers	C	5	In person

Source: designed by authors.

We recorded 22 internal and five external stakeholder views. This sample of 27 respondents represents the directly relevant CSR stakeholders (Goodpaster, 1991) at the firm-marketplace interface to understand *how CSR contributes to Fashionline's value creation*.

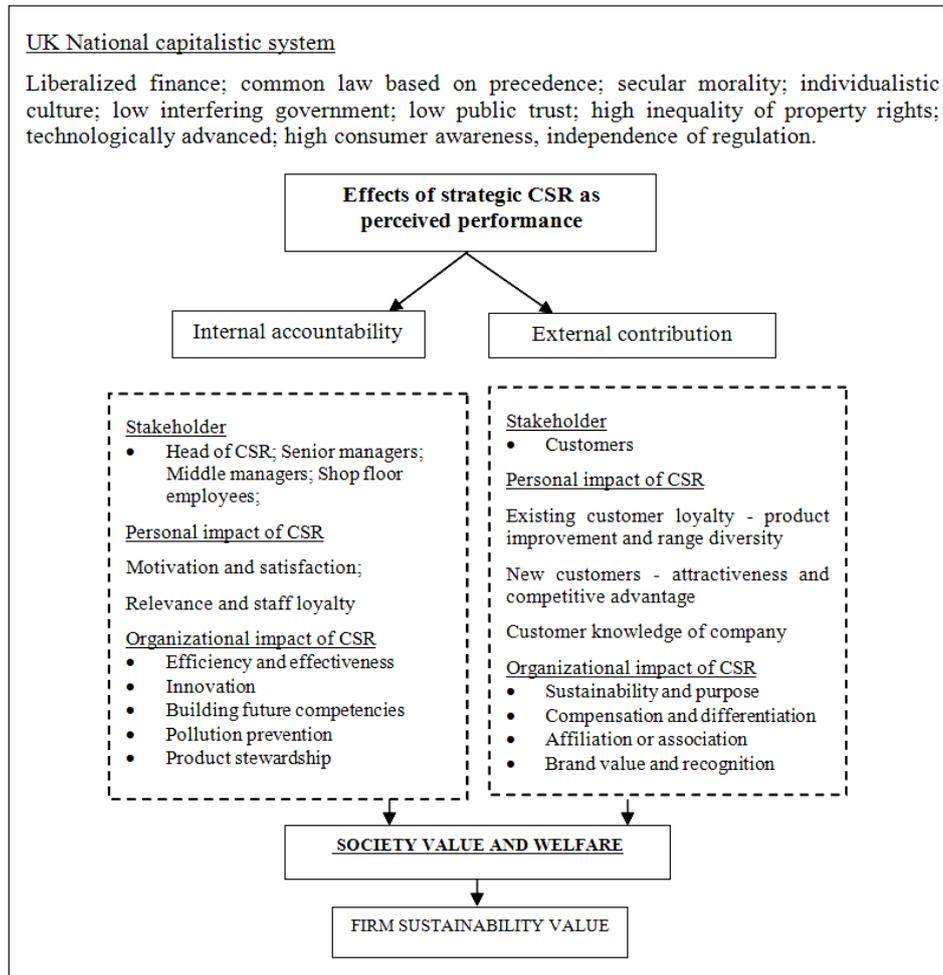
More specifically, we are able to understand *how* those working within Fashionline *define and perceive CSR* (organizationally) and *how CSR creates value for the organization* (institutionally). We question whether there are variations in perceptions of CSR between the different stakeholder groups (interactional).

Our research explores the relationship between internal and external stakeholders and their perceptions of CSR

<sup>1</sup> To preserve anonymity.

issues within Fashionline (see Figure 1). This enables us to understand strategic effects of CSR action/inaction as effects. Each effect consists of a stakeholder perspective and an organizational impact. We compare and contrast these effects to investigate how CSR contributes to Fashionline’s value-creation that is based within the UK. Fashionline is a value-

retailer that has over 200 large stores, most of which are located outside of the city/town centre. Along with expansion in the UK, Fashionline has opened stores overseas and has a growing online channel to market. The organization employs over 15,000 people and has achieved over £1bn revenue, generating over £50m profit in 2014.



Source: designed by authors.

**Fig. 1. CSR value creation of Fashionline**

**4. Findings**

Sixteen themes emerged from our data analysis which we organized into three groups based on underlying commonalities. We can understand the management of relationship with society in terms of CSR as those effects/affected by: organization (self-accountability and compensating for its own negative effects), interaction (compensating for the negative effects of others; societal welfare) and institution (boundary and independent monitoring of operating ethically and being holistically responsible in a sustainable way).

**4.1. Organizational: influence.**

1) Different internal stakeholders unequally emphasize certain attributes of CSR definition which are more meaningful to their own specific

role and personal expectations. The head of CSR has more in-depth understanding:

*‘CSR is trading with a conscious-closer engagement with employees, suppliers, society, positive brand image’* CSRH.

However, this is for meeting firm objectives, regulations and policy-setting purposes for commercial advantage:

*‘Credential with suppliers and customers, better teamwork, waste recycling, CSR benefits sales, avoids bad publicity, public recognition of owner,’* CSRH.

Senior Managers comment that:

*‘I don’t think communication is as strong as it should be... We haven’t been told as a management*

*team how well we have performed..... I don't think our customers care – the reason why we want to do it is to make the company profitable and also a place where people want to shop' SM.*

Middle managers most often refer to 'customer care'; whereas, shop floor employees relate more to the 'company doing good or better' to improve brand image and do something for society.

2) A personalized price competitive vision statement. As competitive advantage, Fashionline offers customers high-street labelled fashion at considerably discounted prices. This supports the case for economic competitiveness and profitability above social or environmental goals.

*'Gives an image of providing low cost products, which can lead people to assume that CSR is neglected in exchange for keeping prices low...customers are driven by cost and value' E. 'Just value for money really' C.*

3) Owner's values influence on CSR strategies. Fashionline has a longstanding philanthropic association with the charity NSPCC (National Society for the Prevention of Cruelty to Children) which began ten years ago due to the founding owner's own initiative:

*'I would say that the history of CSR within Fashionline predated CSR as a label, due to clear 'family values' of the founder and current owner. Ethical trading and charitable support have grown organically over many years. The owner chose the charity' CSRH.*

By 2014, Fashionline customers and employees have raised £4.5m for NSPCC since 2004. However, actual cash contribution of Fashionline itself is less and there are tax benefits to the company for 'giving'.

*'It's part of business planning..... all stores working towards NSPCC fundraising objectives' CSRH.*

4) Succession planning favors 'family rights'. Fashionline has been in existence for more than twenty five years, but remains controlled and influenced by a single owner:

*'The CEO left the job and the son of the founder has become the new CEO in charge of the family business' SM.*

Most recently, the former CEO has given way to allow for a new generation family member to take up the CEO position. Will family values resist the competitive external pressure to corporatize the business with new investors for growth?

5) Employee motivation and loyalty of internal stakeholders. Fashionline's emphasis is on efficiency and productivity. This places greater

pressure on employees which has impacted staff turnover to higher levels and reduced loyalty. 'A company that is not solely driven by profit' E. 'When taking up the job the only factors considered were pay and working hours' E.

6) Growth through new store openings. Fashionline has opened three new stores in 2013 in UK areas where the retailer previously had no presence. The group is pursuing a selective store opening strategy.

7) Product innovation with CSR attributes favors moulding of preferred suppliers. Fashionline has a majority of long standing relationships with its suppliers. Only recently has this developed into a formal ethical policy where the company knows engages independent auditing of health and safety and of supply chain garment factories. Fashionline has signed an Accord<sup>1</sup> and is involved with BRAC<sup>2</sup> in Bangladesh.

*'Production process in foreign countries is commonly known to be immoral in terms of the way employees are treated however because their products are so cheap compared to competitors they have been able to sustain sales' E.*

*'I expect Fashionline to operate ethically' C.*

8) A value-based competitive advantage. The CSR head believes that Fashionline's CSR strategy should not feature advertising campaigns and should not be used as a marketing tool. This view prefers firm to 'do the right thing' as their own internal social responsibility agenda.

*'We do not closely monitor our competitors CSR activities. We are not in CSR competition' CSRH.*

*'To be perfectly frank, I don't really care what other retailers are doing' SM.*

The organization is influenced by the owner's 'family values' and a narrow vision statement as competitive advantage. Further, senior management narrowly communicates CSR within the organization and stakeholders interpret it differently. The lower level employees have less say and loyalty (Vitaliano, 2010). Rather than broadening at the top level, the owner succession plan focuses on 'self-fulfilment' rather than societal welfare.

#### **4.2. Interactional: engagement.**

9) External stakeholders interpret the CSR definition differently to internal stakeholders. Customers understand CSR more generally as being 'environmentally friendly' and 'supporting charitable causes'. However, they are unable to link CSR specifically to Fashionline's strategies.

<sup>1</sup> Accord on Fire and Building Safety in Bangladesh.

<sup>2</sup> <http://www.brac.net/>.

Q. Do you know they recycle? – *'Nope, I don't know. Well how are we suppose to know?'* C.

10) Non-policy forming stakeholders have broader interpretations of CSR than the policy formers themselves, whom have narrower interpretations. Shop floor employees and customers relate more to environmental and social values of CSR; whereas, senior/middle management reflect target driven shareholder values for 'economic benefit' or the owner's views as most important.

*'I don't think communication is as strong as it should be...they set targets for stores for landfill'* MM.

*'All customers are part of society – firm has a duty to operate socially responsibly'*. C.

11) Store refurbishment program. Stores have had refurbishment to improve customer appeal and this has also enhanced staff satisfaction. The typical Fashionline customer is a 30+ female who shops for the family, is fashion conscious, but less demanding of leading edge labels.

*'I work flexible part time hours. The store upgrade has made a better environment to work in than before'* E.

12) Internally perceived 'cost saving' value of CSR reflects ownership culture which is different to external stakeholders' perceived value. Internal stakeholders have a strong focus on operational efficiency such as lower productivity costs, reducing material and buying costs and the reuse and recycling initiatives as beneficial to the company exemplified by the 'hanger reuse' initiative saving the company £3.5m.

*'We are currently retaining over 50 per cent of garment hangers for reuse, reducing our usage of plastic raw materials'* CSRH.

13) Store loyalty card for 11 million customers. Fashionline operates a free to join loyalty card scheme for customers which previously was offered as paid membership. Loyalty card customers receive incentives for being repeat customers and can reap discount benefits. Employees also receive in store discounts after they have remained with the company for a period of time.

External stakeholders and low level employees relate to CSR as social and environmental factors; whereas, the senior staff/owner are focused on efficiency gains and productivity. There remains a narrow business focused engagement of CSR.

#### **4.3. Institutional: power.**

14) Regulatory compliance and reporting. This has become a focus of attention. New legislations and

key performance indicators (KPIs) that drive CSR initiatives are fast emerging.

*'We have both ethical work force and environmental policies'* CSRH.

*'Managers report monthly on Energy consumption targets'* SM.

15) Influence and biases of media impact stakeholders understanding of CSR priorities. Many customers and some employees refer to *'ethical behavior within the supply chain'*, but this is due more to media coverage of issues rather than a clear understanding of Fashionline's activities.

*'I am not really aware of competitors' CSR policies, but with greater transparency of information through different media outlets such as the internet, consumers have a much greater knowledge'* C.

16) Impact of recession. The company started its online presence in 2008 and has also benefited from price sensitive sales during the recessionary period. The online store has grown faster and generates more revenue than the average physical store.

*'Fashionline revenue increased at the time of the recession. We entered the online market at the height of the recession and did well'* SM.

Power of the media and regulators, rather than a firm's own responsible actions, are driving changes on how a firm implements CSR. Business is complying with new legislations which have grown in UK. Strong media agendas are also impacting. Thus, businesses often associate with NGOs to demonstrate CSR. However, NGOs have single agendas which again serve their own purpose.

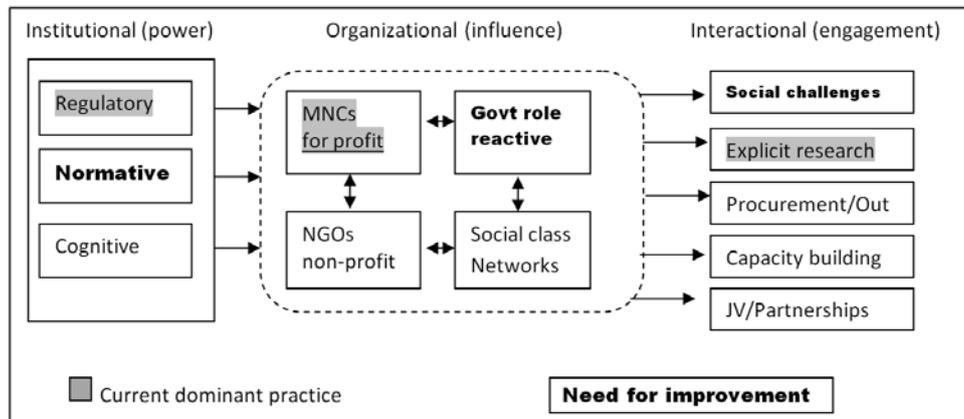
#### **5. Contribution**

Our research builds on Bondy et al. study (2012) which through interviews with 38 CSR professionals in 37 UK based MNCs found existence of institutionalized CSR within organisations (Matten and Moon, 2008) and at the national society level (Moon, 2014). We concur with Bondy et al. (2012) findings that large UK firms practice a strategic form of CSR which, instead of providing equal business and socially responsible centred outcomes (Elkington, 1997), actually turns CSR into business innovation for profit generation.

Our contribution adds that in the UK's highly oligopolistic industry structures (Khan and Kakabadse, 2014) the self-perceptions of dominant business leaders determine CSR strategies. However, agency within organizations between owners, managers and employees, along with contrasting internal/external stakeholder priorities, leads to different interpretations of the effects as

CSR interactions and outcomes. In the UK, we can only properly understand CSR where organizations more openly share and engage with different

stakeholder perceptions. We are able to understand the effect of the emergent themes as dominant power, influence and engagement in Figure 2 below.



Source: designed by authors.

**Fig. 2. UK CSR: How should CSR be practiced?**

Institutional CSR in the form of British values prefers a conservative, independent form of CSR.

We perceive a gap in CSR where:

- ◆ at the organizational level – strategic investment and innovation decision making need to incorporate longer term and wider stakeholder views (Knyght et al., 2011); and
- ◆ at the institutional level – the UK needs to better address the increased level of inequality by 30 per cent since the 1960s when it was the most egalitarian country (Bhattaria, 2013).

Whilst the business believes it is acting ethically responsibly and contributing to society, it is clear that holistic understanding of CSR (Moon, 2014) needs improvement. Institutional (power), organizational (influence) and interactional (engagement) factors need to align better for sustainable societal welfare and broader responsibility.

CSR is relevant to UK fashion retailers as a majority of manufacturing/supply chains extend into emerging markets. British retailers themselves have also internationalized with stores in these markets. Being a leading international marketplace makes U.K. an exemplification of best practice. its consumers informed and savvy. But, it is clear that CSR strategic prioritization is externally driven rather than embedded or emerging from internal organizational culture.

Where the institutionalization of CSR (Bondy et al., 2012) is unique to each firm (Fashionline) in each national business system (Matten and Moon, 2008) there is a need to connect the seven aspects of CSR (Moon, 2014) as practiced in U.K. and as relevance to emerging markets. Table 2 below identifies need for improving global cooperation across differing national contexts.

**Table 2. Is CSR practice in UK and relevance to emerging markets**

CSR	Practiced by Fashionline in UK	Relevance to developing countries
Accountability (bus responsibility to society)	Regularly practiced – due to consumer and stakeholder pressure.	Weakly practiced - but reactive to media influence
Compensating for their own negative impacts	Not practiced - only meeting of regulatory requirements	Not practiced - weak regulatory environments. Differentiation between UK export and local products.
Compensating for other negative impacts	Not practiced - underpinned by self interest, role of media in fashion	Weakly practiced - NGO pressures
Contributing to societal welfare	Weakly practiced - charitable contribution and basic employee welfare	Not practiced – less pressure in less educated societies where leaders are economically driven
Operating their business in an ethically responsible and sustainable way (conduct).	Not practiced - economic short term and owners motives dominant	Not practiced – International marketplace offers buyer marketplace and constraints suppliers
Taking broad responsibility for society and environmental factors	Weakly practiced - environmental efficiency only, self monitored and industry developed CSR indices	Not practiced - less involvement of wider stakeholders and lack of transfer of best practices globally
Managing by business its relationship with Society	Regularly practiced - more as risk management and NGO supported making CSR a political tool	Not practiced – product protectionism and employee exploitation in different markets (producer/buyer)

Source: Matten (2014) applied to Fashionline by authors.

In Table 2 above, CSR in UK does have regular accountability and managing of relationship to society. However, it remains narrowly understood by Fashionline and is more regulatory and ownership driven. The Fashion industry, even in high end fashion, has yet to adopt CSR broadly and

there remains deliberate divides between differentiated markets. With the rise of wealth in emerging markets demand for products is growing but the social and environmental awareness/application is not enforceable where institutional regulation is weakly supported.

## Discussion

Regardless of the revisions to Governance Codes such as Cadbury Code 2010, Corporate Governance Code 2014; and changes to regulatory reporting requirements such as strategic reporting introduced by FRC<sup>1</sup>, there remains a longer term pattern of egregious UK corporate scandals including Maxwell, Polly Peck, BP, Northern Rock, BBC and Barclays alongside public sector failures (NHS, Banking and River Dredging policy reforms, legislation by Parliament/House of Lords). Thus, the impact of the 2008 financial crisis (van Essen et al., 2013) represents not only a discontinuous point of capitalistic economic cyclical bust (Shularick and Taylor, 2009), but a lack of normative purpose in UK regulatory driven institutions that influence the nature of the organization and interaction.

Our case study findings reflect problems where realistically, organizations are narrowly practising the ideal broader definition of CSR (Moon, 2014). This issue emerges as a culture of CSR within Fashionline that is 'family' owner/board centric<sup>2</sup> and only top-down. The supplier selection favors Far Eastern Asian markets and is on an economic basis. In regulatory terms, this additionally conveniently outsources issues of child labor, low wages, long-working hours as non-accountable exploitation. The organization in UK meets regulatory obligations and understands but ignores effects of tight margin competition. Organizational dual standards in different markets seem acceptable and the organization adopts a perception that external stakeholders in the UK are best risk managed through suitable scientific data justifications (CSR reports). Thereby, in the UK, independent ombudsman/committee investigations have become the enforcing voice of '*when things go wrong*' and how to prevent reoccurrence (Leveson, Saville, Stephen Lawrence, Staffordshire Trust, Hutton, Butler, Chilcot Iraq inquiries). However, in reality, this is post-event, expensive, time consuming, late and itself discontinuous outsourcing of the problem, whilst the deeper issues of CSR remain.

As a result, MNCs are currently allowed to prioritize short term financial gain within local markets based upon epistemologically justified

research datasets (CSR reports suited to narrowly defined government KPIs; narrowly networked monitoring on the FTSE4Good Index). Embedded British values consciously promote individualism, independent accountability, divergent role of state, organisation and society within an apolitical man-made rule of law, which follows John Stuart Mills (1806-1873) utilitarian approach forcing a rationalisation of normative ethics within a governance system, individuals and institutions. However, this is not how an organization should practice CSR to suit the broader definition and questions (Moon, 2014) and the systemic realities of the UK marketplace are not 'purely libertarian'.

The advanced western society needs to more transparently acknowledge integral moral sentiment/normative purpose. CSR definition puts people before profits (Solomon, 1992), recognises ethics and moral virtues (Aristotle 384B.C.-322B.C.; Smith, 1759) as core to purposeful life (Dsouli et al., 2012) and requires collaborative, shared understandings where normative CSR is based upon ontological meanings as a response to social challenges of society (Moon, 2014). Even in a secular society, people are required to swear an oath in courtroom. Therefore, in the UK there is a need to openly recognize normative purpose in decision making (Kakabadse et al., 2013), for government to proactively shape policy for business advantage and for CSR interactions to more purposefully address social challenges, not data driven targets.

Kinderman (2012) argues that CSR development is complementary and compatible to the orthodoxy of developing neo-liberal markets. However, this is underpinned by greater and broader responsibilities of the entrepreneur and the citizen's more active engagement in decision making as necessary for society to be the stakeholder of UK plcs. Further, this will only work if there is proper and purposeful institutional correlation. Our case study concludes that for the broader definition of CSR (Moon, 2014) to work in the UK, these factors require realigning through improvements fostering intellectual dialogue and better CSR engagement supported by better targeted regulations. The risk is that currently CSR in the UK through British values is forcing an isolationist individualism. CSR behavior (Cyert and March, 1963) includes broader responsibilities (Matten and Moon, 2008) which need collaboration and shared engagement that goes beyond an economic focus.

## Limitations and future research

The study is a single qualitative case study. It has more internal organizational views than external views which are only represented by consumers. The firm in this case study currently remains a large family owned business. The owner rejected an offer of sale which

<sup>1</sup> Financial Reporting Council : <https://www.frc.org.uk/>

<sup>2</sup> CSR understanding is limited to perceptions of family owner's own values or perspectives of people on currently narrowly representative boards.

would have led to corporatization – public shareholding. However, the business is expanding internationally. Our study was limited to the UK.

Future research may focus on multiple case-studies across different industries (Renaldi and Testa, 2014). There is opportunity to develop better CSR

holistic measures that may inform UK policy makers. Ultimately, business leaders need to reflect on their own values and allow broader engagement in boardrooms to prioritize societal welfare which is critical in today's interconnected global societies where new markets will always form.

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