The integrated business strategy of a
Central American denim apparel manufacturer

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Abstract: There is growing recognition that truly sustainable business practices, whether focused on environmental or social concerns, must be integrated within a company in order to be effective. The purpose of this case study research was to understand an apparel manufacturer’s environmental and social responsibility practices in the context of a comprehensive and competitive business strategy. The research is innovative for its focus on manufacturing businesses rather than global brands and best practices in strategic CSR. A manufacturer of high-quality fashion denim apparel located in Central America was chosen for this study because of its reputation as both a thriving and socially responsible company. Field research revealed that one of the company’s most valuable internal resources for competitiveness was its employees who were recruited, cultivated, and retained to maintain high skill and flexibility in meeting buyers’ demands. Additionally, an open- and forward-minded executive team shaped innovative solutions that stem from an ingrained sense of responsibility and a deep understanding that sustainability is not an obligation but an investment.

Keywords: corporate social responsibility; CSR; environmental responsibility; environmentally responsible; socially responsible; apparel; manufacturer; sustainability; competitiveness; competitive strategy; Central America; field research; case study; resource-based view; RBV.


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The integrated business strategy

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1 Introduction

In the past two decades, the apparel industry has received negative attention for both its socially and environmentally irresponsible practices, with heavy ‘sweatshop’ criticism commencing in the mid-1990s (Dickson, 2013) and environmental concerns gaining momentum more recently with the ‘green’ movement. As a result, many brands and retailers cracked down on factories in their supply chains, creating codes of conduct for labour standards and working conditions and monitoring compliance with those (Dickson, 2013); similar efforts are now underway regarding verification of environmental performance of suppliers (e.g., Adidas, 2013).

Most research about social and environmental responsibility has focused on Western brands and retailers (Huq et al., 2014). The scant research on sustainability and apparel manufacturers is further limited by studying discrete practices such as benchmarking (Makrinou et al., 2008), and focusing on general social responsibility practices among convenience samples of manufacturers rather than best practices that could serve as models for others (e.g., Huq et al., 2014; Weiford and Frost, 2006). As a result, while a few studies point to benefits such as cost savings and reduced turnover and absenteeism that apparel manufacturers might achieve when pursuing sustainability (Makrinou et al., 2008; Weiford and Frost, 2006), more often the research shares the negative views of manufacturer that CSR is costly and a nuisance (Gugler and Shi, 2009; Makrinou et al., 2008; Weiford and Frost, 2006) and how they cheat to appear compliant to codes of conduct (Huq et al., 2014), or highlights the relatively low return on environmental investments (Weingarten et al., 2012). As a result CSR has not been well integrated into business strategy for firms in developing countries (Gugler and Shi, 2009).

According to Porter and Kramer (2006), if sustainability practices are relevant to a company’s employee base, business practices, or market, they can also be profitable. Strategic corporate social responsibility (CSR) recognises the mutual benefits that good business has on society and that a healthy society has on business and implements programs that benefit both (Porter and Kramer, 2006). As such, strategic CSR becomes part of a firm’s competitive strategy (Gugler and Shi, 2009) along with strategies used to address external competitive forces and to deploy internal resources.

Only two studies of strategic CSR of apparel manufacturers were found; one was a case study of MAS Holdings in Sri Lanka (Fernando and Almeida, 2012) and the other researched five screen printers in the UK (Worthington and Patton, 2005). Fernando and Almeida’s (2012) research provided very little detail about how CSR is actually practiced to support management claims that CSR had been a point of strategic differentiation. On the other hand, Worthington and Patton (2005) found that the environmental practices of screen printers were not strategically employed for competitive advantage, but instead were defensive reactions focused on achieving minimal compliance. Nonetheless,
Dickson and Chang’s (2015a, 2015b) research with CSR professionals noted that there is an emerging group of apparel manufacturers that can be considered ‘world class’ in their approaches to CSR; they go well beyond the buyer’s code of conduct and benefit as a result. As such, this paper adopts the hypothesis supported by many in academia and beyond that the voluntary pursuit of CSR can be an important element of an apparel manufacturer’s overall competitive business strategy, improving company overall performance as well as the social and environmental issues that are addressed (see Worthington and Patton, 2005).

The purpose of this research was to understand an apparel manufacturer’s environmental and social responsibility practices in the context of a comprehensive and competitive business strategy. A manufacturer of high-quality fashion denim apparel located in Central America was chosen for this study because of its reputation as both a thriving and socially responsible company. Case study methods allowed us to investigate the relationship between firm strategies, resources, and competitiveness. Specific research questions addressed broad aspects of competitive advantage as well as strategic CSR and included:

• How have external industry conditions affected the manufacturer’s competitiveness in the global apparel industry?
• How has the manufacturer strategically used internal resources and capabilities for competitive advantage?
• How does the manufacturer strategically address sustainability and social responsibility for competitive advantage?

The research makes important empirical contributions to the scant literature on CSR practices of apparel manufacturers by focusing on their best practices. It also makes important applied contributions by providing information that other apparel manufacturers can use to understand how social and environmental responsibility can contribute to their broader competitive advantages.

2 Theoretical framework

Porter and Kramer (2006) proposed a method for strategically employing mutually beneficial CSR practices. Social issues can be categorised in three groups, allowing firms to evaluate which issues would be the most closely linked to their business and therefore the most beneficial and meaningful to pursue. The categories of social issues include: generic social issues (broad topics that are not linked to the company’s business), value chain social impacts (social issues or groups that a company encounters in the normal course of business), and social dimensions of competitive context (social factors that affect or drive competition within a company’s environment). While Porter and Kramer (2006) have identified these categories in relation to social issues, they might also be applied to evaluate environmental issues. By choosing a few highly relevant issues to tackle, firms can make the greatest impact while increasing their competitiveness (Porter and Kramer, 2006).

In addition to Porter and Kramer’s (2006) framework, this research considered two additional theories on competitiveness: Porter’s five forces that impact business competition and the resource-based view (RBV). Porter’s theory asserts that five external
industry forces and how a company reacts to them are key to competitive advantage: industry rivals, powerful consumers, powerful suppliers, the threat of potential entrants, and the threat of substitute products. A business can control how it responds to and copes with these forces, but ultimately for Porter these external forces are the most important considerations for any company (Porter, 2008).

On the other hand, the RBV argues that internal resources and capabilities are most essential to a firm’s competitiveness. Examples of these types of resources include unique technology, brand identity, and professional relationships. Through the perspective of the RBV, a company’s ‘valuable, rare, non-imitable, and non-substitutable’ resources are most important to its success [Spanos and Lioukas, (2001), p.911]. While these perspectives seem to disagree about the most important factors contributing to a firm’s competitiveness, each of them provides a useful lens for examining a company’s success.

3 Environmental and social responsibility and competitiveness

Environmental concerns are particularly relevant to the denim industry because of the denim value chain’s heavy environmental footprint. Denim wear is primarily cotton, one of the most water- and chemical-intensive fibres. The synthetic indigo dye used to achieve the blue-jean colour can contain harmful chemicals (Rannug et al., 1992). The washing process that jeans undergo to achieve the right look can be energy- and water-intensive and its effluent can be difficult to dispose of properly (Walsh, 2011). These issues would fall under the category of value chain environmental impacts, and each can be addressed individually by using organic cotton farming practices (OTA, 2010), by using natural indigo (Rannug et al., 1992), by using waterless washers or wastewater treatment facilities (Hasanbeigi and China, 2010), or by measuring and then acting on key environmental measures including water consumption, waste, and wastewater emissions (Makrinou et al., 2008). Each of these solutions requires money and resources to initiate but could ultimately benefit the company in the long run. For instance, if a company switches to waterless washers, the savings in water and energy costs would eventually outweigh the capital investment. Furthermore, lower energy use would decrease total expenses, allowing a supplier to be more cost-competitive with its products (Hasanbeigi and China, 2010). Thus even small benefits specific to each issue can be derived from addressing industry-specific environmental problems.

In contrast to such tactical environmental moves, there are other issues that can be leveraged and used strategically. Worthington and Patton (2008) proposed that individual screen printing companies and supply chain collaborators could gain competitive advantage with innovative environmental approaches focused on developing markets, differentiating products, and increasing cost competitiveness. Additionally, some consumers are looking to companies to be more ‘transparent’ by making publicly available information about their practices, energy consumption, fibre use, and social compliance standards. Agbonkhese (2010) has identified transparency in the apparel industry as a high-impact sustainable practice (rather than a superficial one) that opens up more opportunities for enhancing a firm’s reputation and consumer trust as well as end-of-life management for garments.
Traceability (being able to identify a finished garment back through the value chain to the source of its raw materials) might be one of the most feasible ways for vertical entities to achieve transparency. It would seem that vertical firms that control at least some of their upstream supply chain might more easily identify for their consumers the type and source of their products’ fibres. Cotton farming differs widely regarding the use of chemicals, water, and labour. For instance, according to the Organic Trade Association (OTA, 2010), some farms use genetically modified cotton to produce higher yields. Some consumers might encourage the use of genetic modification so that more cotton can be produced using less land, while others might have ethical qualms about the use of genetic engineering. Similarly, environmentally conscious consumers might want to know whether harmful fertilisers and pesticides were used in cotton production or if organic methods were used instead (OTA, 2010).

Tracing a supply chain backwards through documents, facility inspections, and interviews to verify the sources of cotton that provided the yarn used in each garment is difficult, especially with subcontracting. Traceability might be easier for a vertically integrated manufacturer to achieve, since in that case the supply chain is internal to a single company and therefore information would seemingly be more easily obtained and shared within the company (Fair Labour Association, 2010).

Social issues are also prevalent in the apparel industry and encompass a wide array of human rights concerns including discrimination, forced and child labour, poor wages, excessive working hours, limits on rights to associate with unions and bargain collectively, dangerous working conditions, and others (Dickson, 2013). While research has emphasised the high costs of social compliance (Huq et al., 2014; Stigzelius and Mark-Herbert, 2009), it has also identified possible business benefits from CSR, including becoming a more attractive employer (Huq et al., 2014; Welford and Frost, 2006), improving worker morale, and reducing absenteeism and employee turnover (Stigzelius and Mark-Herbert, 2009; Welford and Frost, 2006). However, Vogel (2008) emphasises that manufacturers pursuing solutions to the issues must create benefits for themselves; there is little evidence that retail buyers and customers reward ethical practices. Dickson and Chang (2015b) support Vogel’s views; while CSR professionals interviewed about manufacturers practicing ‘world class CSR’ noted business benefits such as improved product quality and productivity and reduced worker turnover, they admitted that buying companies were not following through on the need to directly reward and incentivise CSR.

Additional research supports the link between business strategies, CSR, and competitiveness. In studying two Mexican factories comparable in size, age, and type of products, Locke and Romis (2007) found that benefits to workers and the firm could be derived from addressing workplace social issues through slight changes to operations organisation and wage structure. Benefits included improvements in worker satisfaction and wages, overtime compliance, lower turnover and absenteeism, higher product quality, and better communication between the factory and the buyer.

Field research with Guatemalan and Colombian apparel manufacturers found that those in Guatemala offset threats of an expanding number of Chinese competitors by building their internal resources to upgrade the products they produced and the processes used in production. Approaches used to build internal skills of employees included CSR and the provision of a wide array of health and education benefits. Company leaders who were better able to ‘creatively (and idiosyncratically) interpret what their interests mean, and how they are best served’ supported the upgrading [Pipkin, (2011), p.2129].
Likewise, top management of manufacturers in New Zealand, who had an ‘entrepreneurial orientation’ including proactive innovation and risk taking, adopted proactive environmental business strategies (Mengue et al., 2010). Furthermore, as Mexico’s maquiladoras evolved, management capabilities expanded to implement information technology and international standards. As a result product and process upgrading increased competitiveness of the firms and environmental performance and health and safety also improved (Carrillo and Zarate, 2009). It is evident that environmental and social efforts, when approached strategically by capable managers, can enhance competitiveness.

4 Methods

Case study research provided a deep, real-world understanding of the relationships between CSR and a company’s approach to competition. Field research conducted at the manufacturer’s headquarters in Central America included observations of the production and other facilities, procurement of relevant documents, and interviews with the company’s management (Yin, 1994). We collected data through interviews to understand the inner workings, resources, and strategic vision of the company; advertising and PR materials to ascertain how the company positioned itself in the market; training documents to learn more about the experience of working as an employee; observation and photographs of facilities to give an impression of the company’s atmosphere, and news articles to understand how the company was viewed by those outside.

An interview schedule developed for the study included questions about each of Porters’ five forces as they might relate to a denim apparel manufacturer, internal resources such as vertical integration and human resources, and strategic social and environmental responsibility within the denim apparel industry. We did not attempt to determine the manufacturer’s compliance to any buyer’s code of conduct. Seven individuals who were best able to provide information about the topics or provide insight into how the company operates were interviewed. Interviews ranged from 30 minutes to two hours, but most lasted approximately 45 minutes. The interviews were audio recorded and then transcribed nearly verbatim.

In analysing the data, a deductive process was followed by using themes identified in the literature review as coding categories. Additionally, inductive analysis roughly followed Glaser and Strauss’s (1967) Constant Comparative Method of reviewing the data many times, each time comparing each part to the rest of the data, then using those comparisons to code the data for thematic categories that presented themselves naturally. These categories were then compared to one another and rearranged into larger themes or topics.

5 Case study

The denim apparel manufacturer studied has had three different owners in the last decade, but much of the management team has been consistent across that time span. Its single production facility, located in Central America with its headquarters, employs about
4,200 people and produces approximately 150,000 units per week. The current owners also own a denim textile mill. Because of the vertical relationship between the manufacturer and the mill, an average of 40% to 60% of the denim used in production comes from the vertically integrated mill. While the company’s operations are based in Central America, it also has offices in select US cities to handle relationships with specific key buyers. The manufacturer competes in a niche market of the denim industry, catering to higher-end, more fashion-forward buyers in the USA.

5.1 External forces

Buyers, suppliers, and competitors were more influential for the manufacturer than the threats of potential entrants or substitute products. Most of the company’s suppliers are nominated and they can be located as far away as Turkey or Bangladesh. Because of long shipping times from these locations to Central America, being required to use these suppliers hurts the manufacturer’s usually quick lead-time. In cases when the manufacturer is able to choose its own suppliers, they select suppliers within the region for the sake of speed. However, even nearby suppliers can negatively affect timing by supplying incorrect or late supplies. One executive explained that “a supplier may have a lot of influence on your success, because you may have everything ready except for one label that is a penny a label and that derails you from shipping”.

Managers depict the manufacturer’s relationship with buyers as challenging especially because the individuals who do business with them on behalf of the brands and retailers often lack knowledge about the supply chain. Unreasonable demands, such as last minute changes with simultaneous pressure to deliver as quickly as possible, significantly disrupt how production flows and require careful planning and rearranging the production floor. While buyers require manufacturers to comply with their code of conduct, they place little emphasis on social and environmental responsibility in their buying decisions, which are narrowly focused on price. As one manager observed, “When it gets down to day to day, the buyer wants his order, he wants his price, and he really doesn’t care much how he gets those”. This impact is expanded because of the large number of denim apparel manufacturers vying for business from the same buyers. Management reported being undercut by competitors competing solely on price or by ‘wannabes’ trying to imitate the quality of the manufacturer’s products at slightly lower prices. But because the company also focuses heavily on service, quality, and speed, there are no competitors that compete directly with it on every dimension.

5.2 Internal resources

5.2.1 Vertical integration

Vertical integration contributes significantly to the company’s financial stability and control by enhancing its relationships with suppliers. As part of an organisation that also owns a textile mill, the manufacturer can shorten its lead-time by quickly getting fabric from the textile mill or staging denim to have it ready for production as soon as orders come in.

The company has expanded the benefits of vertical integration by creating virtual vertical relationships with on-site suppliers for zippers, pocketing embroidery, and a print shop for labels. Because these suppliers work on site at the manufacturing facility, they
can deliver supplies quickly, and when a problem comes up, they are available to resolve it immediately. Furthermore, sharing the same space and interacting with management face-to-face inevitably builds a much stronger relationship between the manufacturer and these on-site suppliers than sourcing from overseas would.

5.2.2 Human resources

The company’s leaders listed the employees as one of the company’s most valuable internal resources, due to their relatively high skill level and training in multiple operations. At the operator level, one exceptionally skilled group is the hand-sanders. These men, who distress specified patterns into jeans with sandpaper, were referred to as ‘artists’ because of the precision they are capable of despite the physical demands of the job. Once other operators are comfortable and familiar with one task and show an aptitude, they learn different operations, increasing the value they can bring to the company by allowing production to function smoothly even when a few people might be absent.

This information stands in contrast to the common knowledge about apparel manufacturing operators who are thought of as low skilled and therefore low-wage (Dickson et al., 2009). For this manufacturer, however, the technical operations for constructing jeans are such that many of its operators must be relatively highly skilled and adequately educated, and their wages are accordingly higher. Even in operations that require lower skill-levels, the manufacturer cultivates a diversity of skills in its operators to make them more valuable and make the company more flexible, rather than keeping them at the lowest skill level possible and therefore easier to replace. One executive explained that employees are paid according to both “productivity, but also multi-functionality. So one guy here can have 10 more quetzals a day because he made his productivity, then let’s say this guy can make 20, because he did 10 operations, 10 pieces”. The skills of employees are cultivated with an educational program that workers can attend on weekends to earn a high school equivalent education; approximately 400 workers are currently enrolled.

Because employees are educated, skilled, and cross-trained, it is important that they be retained. The manufacturer’s annual turnover rate is 35%, far lower than the annual industry average of 120%. Furthermore, this average drops off significantly after looking only at employees who have been there over six months. This improved retention rate is due in part to the organisational climate the workers experience while they are employed as well as the connections the company maintains even while it does not have work for former employees.

The company’s general culture seems to create a positive atmosphere for work. In many interviews, managers spoke highly of their employees’ abilities and skills, setting a general tone of respect and appreciation. The company puts a lot of effort into creating this positive atmosphere: one director shared that “We work very hard for people to think, '[the manufacturer] is my second home'”. This sentiment crosses a line that management considers essential: the line between happiness and pride. Employees may do better work and stay with a company if they are happy to work there, but if they are proud to work there, they will consider themselves to truly be part of the company and will therefore work even harder, because what benefits the company also benefits them.

Employees also stick around because of efforts the company has made to maintain contact with former workers it does not have the production volume to employ. A
program for ‘friends’ allows former employees and their families to use the clinics and stores on-site at the company’s headquarters for up to three months. When there are not enough orders to keep all employees working, the ‘friends’ program keeps former employees in touch so that they are more likely to come back as soon as work picks up. This eliminates the time and money of having to re-train skilled workers when orders pick up.

5.2.3 Service and flexibility

Some of the most important internal factors that emerged through inductive analysis related to how the manufacturer has enabled itself to provide service and react flexibly to suppliers and buyers. Many of the managers noted specific areas where they work to provide services to buyers, including with a development centre that collaborates with buyers to find the perfect fit and wash, offering buyers lines designed for their target markets, and offering information on upcoming trends. As a result, the company’s value proposition is ‘more about a service than a product’, creating a more collaborative partnership and a point of differentiation from its competitors.

Flexibility, another internal capability that was prominent in the interviews, is fostered both on the production floor and in the mind-set of the company’s employees. The manufacturer uses different operations in production for different styles and tailors its delivery and cycle times to every customer’s needs. To accommodate variations, production strategies that accommodate both large and small orders are used and cross-trained workers further enhance flexibility on the operations floor. The company’s ability to meet a wide range of needs stems from its implementation of market-driven manufacturing. This system provides a framework for aligning production styles with the priorities (or ‘order-winners’) of various buyers. For instance, if volume and price are the most important order-winners for a given buyer, then that buyer’s order will be produced using long production lines in which many workers each perform one operation to maximise efficiency. If another buyer prioritised innovation or embellishment, the production would be structured differently, using fewer workers who each perform several tasks. These diverse production methods have implications for worker satisfaction, improved productivity and reduction of turnover, and better relationships with buyers (Locke and Romis, 2007).

Flexibility is closely related to timing and efficiency. One excellent example of this relationship is when the manufacturer reconfigured its entire production line for one order so that it could start production without any rivets (which were late), add the rivets at the very end, and still keep lead time short. Because the production floor and operators can be rearranged, changes in production can be accommodated and products move through the factory as efficiently as possible. This flexibility and mastery of operations helps the company advertise itself as ‘the fastest vehicle for brands’ and promise delivery times of ‘12 weeks from concept to store’. While it is clear that this can be inconvenient at times, one manager painted it as a fairly normal aspect of doing business: “We do try to jump through hoops to accommodate as many requests as we can”.

5.2.4 Communication

Commitment to excellent service helps the company differentiate itself and is supported in large part by communication. A concerted effort is made to both explain the
company’s business to buyers and suppliers and to understand their needs and challenges so that it can serve and work with them best. This can even verge on over-communication in order to ensure that buyer’s requests are understood perfectly and to force buyers to make decisions. This close communication with buyers often happens through representatives who are stationed in US offices close to their major buyers. Information from these communications is then shared among the internal executive committee at their weekly meetings and relayed back to relevant departments, facilitating thorough and open communication flow. Not only does this thorough communication support the company’s competitiveness in service, it also creates advantages of its own by fostering more of a dialogue with buyers and creating a more equal power level.

5.2.5 Management perspective

Perhaps the single-most prominent internal theme that emerged from the interviews was the outward-looking attitude of all of the managers. It was clear from the way they talk about their jobs that, while they cannot overlook day-to-day concerns, they have a tendency to look out at what is going on in the industry and ahead to what trends, strategies, and relationships will be important in the future. The establishment of US offices and on-site suppliers is evidence of a focus on long-term relationships and proactive thinking, as is the manufacturer’s investment in trend forecasting. Because the company also looks around at what is happening in other countries and in its proximate community, these long-term decisions are well founded and considered. As the President noted, “I think we normally frame competitiveness in the short-term, and that’s a big mistake”, in trying to build a company that will continue to be strategic 20 years out. The open and forward-thinking mind-set of its management employees is one of the company’s most strategic internal resources and mirrors the concepts of entrepreneurial orientation and creative management observed by Mengue et al. (2010) and Pipkin (2011).

5.3 Social and environmental responsibility

Internal capabilities, especially open- and forward-mindedness, shape more proactive, innovative solutions to risk management too. The manufacturer has a long history of commitment to mitigating social and environmental risks that can be traced back to guidance from Levi Strauss & Co., a former buyer, but has moved beyond mitigating harm to proactively creating social and environmental benefits. For instance, its wastewater treatment facility, while in part a product of Levi Strauss’s influence, was the first wastewater treatment facility in the country and appeared well before law required it. Now the company is taking its water treatment a step further: it planned to have a closed-loop system in place in the near future so that it could reuse the wastewater it treats. Furthermore, at the time of our field research despite few buyers asking for environmentally friendly changes in materials, operations, or packaging, the company was already looking at more eco-friendly packaging options to both reduce impact and improve costs and efficiency. Traceability could potentially be an attractive capability for buyers but most of the manufacturer’s buyers have not been interested. Management believed the disinterest was due to buyers not being able to trace all of their products since they source from multiple suppliers.
Management’s proactive ideas and environmental efforts come from an ingrained sense of responsibility and a deep understanding that sustainability is not an obligation but an investment. Respect for the environment runs deep within the company and commitment to sustainability was evident in the interviews with managers. One argued that, “If you don’t have sustainability, nothing works” and another got to the heart of the company’s commitment to environmental efforts by addressing how buyers fit into environmental decisions: “Nobody’s going to pay you more because you’re green, but you have to be green, there is no other way”.

Proactive, long-term commitments are evident in the manufacturer’s social efforts too, which are centred on its workers. It participates in an external organisation that promotes CSR in the country’s businesses and measures its members’ performance in the categories of governance, internal actors, suppliers, marketing, environment, communities, and public policy. According to the organisation’s reports, some of the manufacturer’s highest CSR scores are in the ‘internal actors’ category whereas the lowest score is in the ‘public policy’ category. Interviews supported this inward focus on making internal CSR improvements rather than working with the government on new CSR projects or laws.

This inward focus places a true value in its workers and helps the manufacturer implement CSR programs that are above and beyond what the industry calls for, a characteristic noted by Dickson and Chang (2015a, 2015b) as reflective of ‘world class CSR’. The company is fairly consistent with fundamental issues, satisfying buyers’ audit checklist requirements for clear hallways and ample fire and earthquake drills, and it is making a concerted effort in areas where it needs improvement, like limiting the amount of overtime hours. However, the manufacturer goes beyond these fundamentals too by using the external organisation as a resource to train its employees in CSR, to learn best practices used at other companies, and also to evaluate itself on its own CSR efforts. This partnership demonstrates a long-term commitment to CSR and a willingness to learn and improve.

Another internally-focused CSR program provides work and education opportunities for economically disadvantaged youth from an area notorious for its violence and high-risk activities. The young people work at the company part-time and go to school part-time while they are going through the program, with the intention of giving them a moral background, an education, and on-the-job training. When they graduate, they have an opportunity to work as full-time employees. While this program is philanthropic, it also provides the company with a dedicated, educated workforce.

Just as environmental concerns are ingrained in the company’s attitude, so are social concerns. In interviews conducted with managers, they volunteered that the company does not pursue CSR because it has to or because customers demand it but because it is the right thing to do and it is right for business. This is supported by the fact that, while there is a division devoted to CSR, it is also considered an ingrained part of everyone’s job. The company’s commitment to and exemplary progress in both social and environmental responsibility are some of the reasons that it was nominated for and won a US Government award. The manufacturer was touted for cutting-edge corporate citizenship providing their employees exemplary care, respecting the local community, and being committed to the environment.

The strong alignment and deep integration of values, both in environmental and social concerns, indicate cohesion of strategic thinking. According to Porter (2008), this cohesion can contribute to a competitive advantage. The manufacturer’s social efforts in
6 Conclusions

For the apparel manufacturer that was studied, internal resources and capabilities play a large role in its competitiveness and are of greater importance to competitiveness than external factors. Some internal capabilities, such as service and flexibility, are competitive because they have been developed as a response to external pressures and are essential to deliver satisfaction to clients. However, an important conclusion emerging from this case study, and one that supports our hypothesis, is that implementing strategic CSR not only improves social and environmental conditions, but also benefits broader competitive advantage. In this case, strategic CSR helped to develop internal capabilities of critical workers and leveraged management strengths.

Human resources and communication resources are mutually beneficial and drive the core elements of the company’s value proposition from within. The culture of the company and many CSR-related programs place emphasis on maintaining a talented and committed employee base. Communication helps build internal strength too by facilitating the flow of knowledge and respect, further bolstering the human-centred culture of the company and the allegiance of its employees.

The efforts made to satisfy buyers’ CSR standards are essential for survival in the apparel industry, but they are not strategic. Rather, it is the programs and efforts that are driven by the outward-focused management’s own aspirations and goals and go beyond buyers’ social and environmental checklists that support a greater competitive advantage. This is because most of the programs the manufacturer invests in link closely to its own internal needs and drivers of competitiveness by fostering a dedicated and educated workforce within the firm and enhancing internal knowledge. Thus, strategic CSR develops internal resources that in turn shape the external conditions in the company’s favour and suggests the importance that should be placed on selecting management and leaders with these abilities.

While the company excels in what it does, there are other opportunities for social and environmental responsibility. The apparel industry is seeking more universal standards and collaborative progress through such initiatives as the Sustainable Apparel Coalition (SAC). The SAC is a coalition of companies and others throughout the global apparel and footwear supply chain that are “working to reduce the environmental and social impacts of apparel and footwear products around the world” (SAC, n.d). Members comprise over a third of the value chain, and include manufacturers. This manufacturer would be a valuable addition to the SAC because it could contribute the perspectives of both a manufacturer and a firm that understands the competitive integration of CSR into corporate strategy. Involvement in this coalition might also challenge the company to create more detailed CSR measurements and reports so that it might quantify and share its best practices.

This research has limitations, especially from its single case study design that preludes generalisation. Future research could use a multiple case study design to explore...
whether the strategic CSR observed is similar in other successful apparel manufacturers, from Latin America and other important global production regions. Additional research could explore in detail how communication within apparel manufacturing companies can strengthen strategic CSR. Finally, future research could quantify the benefits of strategic CSR for successful apparel manufacturers. This would help shift the prevailing mind-set from CSR is a nuisance to CSR is a clear strategy for competitive advantage.

References


Notes

1 Data were collected and analysed over a six month period in late 2010 and early 2011.